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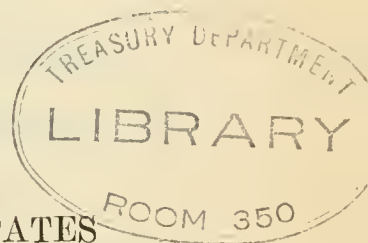


Calendar No. 1292

74TH CONGRESS  
1ST SESSION

# H. R. 8974

[Report No. 1240]



IN THE SENATE OF THE UNITED STATES

JULY 29 (calendar day, AUGUST 5), 1935

Read twice and referred to the Committee on Finance

JULY 29 (calendar day, AUGUST 12), 1935

Reported by Mr. HARRISON, with amendments

[Omit the part struck through and insert the part printed in italic]

## AN ACT

To provide revenue, equalize taxation, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That this Act may be cited as the "Revenue Act of 1935".

### 4       **TITLE I—INCOME AND EXCESS-PROFITS**

### 5                       **TAXES**

#### 6       **SEC. 101. SURTAXES ON INDIVIDUALS**

7       Section 12(b) of the Revenue Act of 1934 is amended  
8       by striking out all after the bracket—

9       "~~\$6,080 upon surtax net incomes of \$44,000; and~~  
10      upon surtax net incomes in excess of \$44,000 and not in

1 excess of \$50,000, 27 per centum in addition of such  
2 excess.”

3 and inserting in lieu thereof the following:

4 “\$7,700 upon surtax net incomes of \$50,000; and upon  
5 surtax net incomes in excess of \$50,000 and not in excess  
6 of \$56,000, 31 per centum in addition of such excess.

7 “\$9,560 upon surtax net incomes of \$56,000; and upon  
8 surtax net incomes in excess of \$56,000 and not in excess  
9 of \$62,000, 35 per centum in addition of such excess.

10 “\$11,660 upon surtax net incomes of \$62,000; and  
11 upon surtax net incomes in excess of \$62,000 and not in  
12 excess of \$68,000, 39 per centum in addition of such excess.

13 “\$14,000 upon surtax net incomes of \$68,000; and  
14 upon surtax net incomes in excess of \$68,000 and not in  
15 excess of \$74,000, 43 per centum in addition of such excess.

16 “\$16,580 upon surtax net incomes of \$74,000; and  
17 upon surtax net incomes in excess of \$74,000 and not in  
18 excess of \$80,000, 47 per centum in addition of such excess.

19 “\$19,400 upon surtax net incomes of \$80,000; and  
20 upon surtax net incomes in excess of \$80,000 and not in  
21 excess of \$90,000, 51 per centum in addition of such excess.

22 “\$24,500 upon surtax net incomes of \$90,000; and  
23 upon surtax net incomes in excess of \$90,000 and not in  
24 excess of \$100,000, 55 per centum in addition of such excess.

1       “\$30,000 upon surtax net incomes of \$100,000; and  
2       upon surtax net incomes in excess of \$100,000 and not in  
3       excess of \$150,000; 58 per centum in addition of such excess.

4       “\$59,000 upon surtax net incomes of \$150,000; and  
5       upon surtax net incomes in excess of \$150,000 and not in  
6       excess of \$200,000; 60 per centum in addition of such  
7       excess.

8       “\$89,000 upon surtax net incomes of \$200,000; and  
9       upon surtax net incomes in excess of \$200,000 and not in  
10       excess of \$250,000; 62 per centum in addition of such  
11       excess.

12       “\$120,000 upon surtax net incomes of \$250,000; and  
13       upon surtax net incomes in excess of \$250,000 and not in  
14       excess of \$300,000; 64 per centum in addition of such  
15       excess.

16       “\$152,000 upon surtax net incomes of \$300,000; and  
17       upon surtax net incomes in excess of \$300,000 and not in  
18       excess of \$400,000; 66 per centum in addition of such  
19       excess.

20       “\$218,000 upon surtax net incomes of \$400,000; and  
21       upon surtax net incomes in excess of \$400,000 and not in  
22       excess of \$500,000; 68 per centum in addition of such  
23       excess.

24       “\$286,000 upon surtax net incomes of \$500,000; and  
25       upon surtax net incomes in excess of \$500,000 and not in

1 excess of \$750,000, 70 per centum in addition of such  
2 excess.

3 “ \$461,000 upon surtax net incomes of \$750,000; and  
4 upon surtax net incomes in excess of \$750,000 and not in  
5 excess of \$1,000,000, 72 per centum in addition of such  
6 excess.

7 “ \$641,000 upon surtax net incomes of \$1,000,000;  
8 and upon surtax net incomes in excess of \$1,000,000 and  
9 not in excess of \$2,000,000, 73 per centum in addition of  
10 such excess.

11 “ \$1,371,000 upon surtax net incomes of \$2,000,000;  
12 and upon surtax net incomes in excess of \$2,000,000 and  
13 not in excess of \$5,000,000, 74 per centum in addition of  
14 such excess.

15 “ \$3,591,000 upon surtax net incomes of \$5,000,000;  
16 and upon surtax net incomes in excess of \$5,000,000, 75  
17 per centum in addition of such excess.”

18 *Section 12(b) of the Revenue Act of 1934 is amended*  
19 *by striking out the last bracket thereof and inserting in lieu*  
20 *thereof the following:*

21 \$533,000 upon surtax net incomes of \$1,000,000; and  
22 upon surtax net incomes in excess of \$1,000,000 and not in  
23 excess of \$1,500,000, 60 per centum in addition of such  
24 excess.

1       \$833,000 upon surtax net incomes of \$1,500,000; and  
 2   upon surtax net incomes in excess of \$1,500,000 and not  
 3   in excess of \$2,000,000, 62 per centum in addition of such  
 4   excess.

5       \$1,143,000 upon surtax net incomes of \$2,000,000;  
 6   and upon surtax net incomes in excess of \$2,000,000 and  
 7   not in excess of \$3,000,000, 65 per centum in addition of  
 8   such excess.

9       \$1,793,000 upon surtax net incomes of \$3,000,000;  
 10   and upon surtax net incomes in excess of \$3,000,000 and not  
 11   in excess of \$5,000,000, 68 per centum in addition of such  
 12   excess.

13       \$3,153,000 upon surtax net incomes of \$5,000,000;  
 14   and upon surtax net incomes in excess of \$5,000,000 and  
 15   not in excess of \$7,000,000, 71 per centum in addition of  
 16   such excess.

17       \$4,573,000 upon surtax net incomes of \$7,000,000;  
 18   and upon surtax net incomes in excess of \$7,000,000 and  
 19   not in excess of \$10,000,000, 74 per centum in addition of  
 20   such excess.

21       \$6,793,000 upon surtax net incomes of \$10,000,000;  
 22   and upon surtax net incomes in excess of \$10,000,000,  
 23   75 per centum in addition of such excess.



1 SEC. 102. INCOME TAXES ON CORPORATIONS

2 (a) Section 13 (a) of the Revenue Act of 1934 is  
3 amended to read as follows:

4 “(a) RATE OF TAX.—There shall be levied, collected,  
5 and paid for each taxable year upon the net income (in  
6 excess of the credit against net income provided in section  
7 26) of every corporation, a tax as follows:

8 ~~“Upon net incomes not in excess of \$15,000, 13 $\frac{1}{4}$  per~~  
9 ~~centum.~~

10 ~~“\$1,987.50 upon net incomes of \$15,000; and upon~~  
11 ~~net incomes in excess of \$15,000, 14 $\frac{1}{4}$  per centum in~~  
12 ~~addition of such excess.”~~

13 “Upon net incomes not in excess of \$15,000, 12 $\frac{1}{2}$  per  
14 centum.

15 “\$1,875 upon net incomes of \$15,000; and upon net  
16 incomes in excess of \$15,000 and not in excess of \$40,000,  
17 14 per centum in addition of such excess.

18 “\$5,375 upon net incomes of \$40,000; and upon net  
19 incomes in excess of \$40,000 and not in excess of \$100,000,  
20 15 per centum in addition of such excess.

21 “\$14,375 upon net incomes of \$100,000; and upon net  
22 incomes in excess of \$100,000, 15 $\frac{1}{2}$  per centum in addition  
23 of such excess.”

24 (b) Section 141 (c) of the Revenue Act of 1934 is  
25 amended by striking out “except that there shall be added



to the rate of tax prescribed by section 13 (a) a rate of 2 per centum, but the tax at such increased rate shall be considered as imposed by section 13 (a)” and by inserting in lieu thereof the following: “except that the rate of tax shall be  $15\frac{3}{4}$  per centum, in lieu of the rates prescribed by section 13 (a), but the tax at such rate of  $15\frac{3}{4}$  per centum shall be considered as imposed by section 13 (a)”.

(c) Section 23 of the Revenue Act of 1934 (relating to deductions from gross income) is amended by adding at the end thereof a new subsection as follows:

“(r) CHARITABLE AND OTHER CONTRIBUTIONS BY CORPORATIONS.—In the case of a corporation, contributions or gifts made within the taxable year to or for the use of a domestic corporation, or domestic trust, or domestic community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes *or the prevention of cruelty to children* (but in the case of contributions or gifts to a trust, chest, fund, or foundation, only if such contributions or gifts are to be used within the United States exclusively for such purposes), no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation; to an amount which does not exceed

1 5 per centum of the taxpayer's net income as computed  
 2 without the benefit of this subsection. Such contributions  
 3 or gifts shall be allowable as deductions only if verified under  
 4 rules and regulations prescribed by the Commissioner, with  
 5 the approval of the Secretary."

6 (d) Section 204 (c) of the Revenue Act of 1934  
 7 (relating to deductions from gross income by insurance com-  
 8 panies other than life or mutual) is amended by adding at  
 9 the end thereof a new paragraph as follows:

10 " (10) Charitable, and so forth, contributions, as pro-  
 11 vided in section 23 (r) ."

12 (e) Section 232 of the Revenue Act of 1934 (relating  
 13 to deductions allowed foreign corporations) is amended by  
 14 inserting " (a) IN GENERAL.—" before the beginning of  
 15 the section and by inserting at the end thereof the following  
 16 new subsection:

17 " (b) CHARITABLE, AND SO FORTH, CONTRIBU-  
 18 TIONS.—The so-called ' charitable contribution ' deduction  
 19 allowed by section 23 (r) shall be allowed whether or not  
 20 connected with income from sources within the United  
 21 States."

22 (f) Section 144 of the Revenue Act of 1934 (relating  
 23 to payment of corporation income tax at source) is amended  
 24 by inserting after the words " a tax equal to  $13\frac{3}{4}$  per centum "   
 25 the following: " thereof with respect to all payments of income

1 made before January 1, 1936, and equal to  $15\frac{1}{2}$  per centum  
 2 thereof with respect to all payments of income made after  
 3 December 31, 1935”.

4 (g) Section 143 (a) (1) of the Revenue Act of 1934  
 5 (relating to withholding of interest on tax-free covenant  
 6 bonds) is amended by striking out clause (B) thereof and  
 7 inserting in lieu thereof the following:

8 “(B) in the case of such a foreign corporation,  $13\frac{3}{4}$  per  
 9 centum with respect to all payments of interest made before  
 10 January 1, 1936, and  $15\frac{1}{2}$  per centum with respect to all  
 11 payments of interest made after December 31, 1935, and”.

12 (h) Section 23(p) of the Revenue Act of 1934 (relating  
 13 to the deduction of dividends received by corporations) is  
 14 amended by striking out the words “the amount” and in-  
 15 serting in lieu thereof the following: “85 per centum of the  
 16 amount”.

#### 17 SEC. 103. INCOME TAX ON LIFE INSURANCE COMPANIES

18 Sections 201 (b) (1) and (2) of the Revenue Act of  
 19 1934 are amended by striking out “ $13\frac{3}{4}$  per centum of”  
 20 and inserting in lieu thereof “a tax at the rates specified  
 21 in section 13 upon”.

#### 22 SEC. 104. INCOME TAX ON INSURANCE COMPANIES

##### 23 OTHER THAN LIFE OR MUTUAL

24 Sections 204 (a) (1) and (2) of the Revenue Act of  
 25 1934 are amended by striking out “ $13\frac{3}{4}$  per centum of”

1 and inserting in lieu thereof " a tax at the rates specified in  
2 section 13 upon ".

3 **SEC. 105. EXCESS-PROFITS TAX**

4 Section 702 of the Revenue Act of 1934 is amended  
5 to read as follows:

6 **"SEC. 702. EXCESS-PROFITS TAX**

7 "(a) There is hereby imposed upon the net income  
8 of every corporation for each income-tax taxable year end-  
9 ing after the close of the first year in respect of which it  
10 is taxable under section 701, an excess-profits tax equal to  
11 the sum of the following:

12 "5 per centum of such portion of its net income for  
13 such income-tax taxable year as is in excess of 8 per centum  
14 and not in excess of 12 per centum of the adjusted declared  
15 value;

16 "10 per centum of such portion of its net income for  
17 such income-tax taxable year as is in excess of 12 per centum  
18 and not in excess of 16 per centum of the adjusted declared  
19 value;

20 "15 per centum of such portion of its net income for  
21 such income-tax taxable year as is in excess of 16 per  
22 centum and not in excess of 25 per centum of the adjusted  
23 declared value;

24 "20 per centum of such portion of its net income for  
25 such income-tax taxable year as is in excess of 25 per  
26 centum of the adjusted declared value.

1       “(b) The adjusted declared value shall be determined  
 2 as provided in section 704 as of the close of the preceding  
 3 income-tax taxable year (or as of the date of organization  
 4 if it had no preceding income-tax taxable year). If the  
 5 income-tax taxable year in respect of which the tax under  
 6 this section is imposed is a period of less than 12 months,  
 7 such adjusted declared value shall be reduced to an amount  
 8 which bears the same ratio thereto as the number of months  
 9 in the period bears to 12 months. For the purposes of this  
 10 section the net income shall be the same as the net income  
 11 for income tax purposes for the year in respect of which  
 12 the tax under this section is imposed.

13       “(c) All provisions of law (including penalties) ap-  
 14 plicable in respect of the taxes imposed by Title I of this  
 15 Act, shall, insofar as not inconsistent with this section, be  
 16 applicable in respect of the tax imposed by this section,  
 17 except that the provisions of section 131 of that title shall  
 18 not be applicable.”

19   **SEC. 105. CAPITAL STOCK TAX**

20       (a) For each year ending June 30, beginning with  
 21 the year ending June 30, 1936, there is hereby imposed  
 22 upon every domestic corporation with respect to carrying on  
 23 or doing business for any part of such year an excise tax  
 24 of \$1.50 for each \$1,000 of the adjusted declared value  
 25 of its capital stock.



1           (b) For each year ending June 30, beginning with  
2 the year ending June 30, 1936, there is hereby imposed upon  
3 every foreign corporation with respect to carrying on or  
4 doing business in the United States for any part of such  
5 year an excise tax equivalent to \$1.50 for each \$1,000 of the  
6 adjusted declared value of capital employed in the transac-  
7 tion of its business in the United States.

8           (c) The taxes imposed by this section shall not apply—

9               (1) to any corporation enumerated in section 101  
10 of the Revenue Act of 1934, as amended;

11               (2) to any insurance company subject to the tax  
12 imposed by section 201, 204, or 207 of such Act, as  
13 amended.

14           (d) Every corporation liable for tax under this section  
15 shall make a return under oath within one month after the  
16 close of the year with respect to which such tax is imposed  
17 to the collector for the district in which is located its prin-  
18 cipal place of business or, if it has no principal place of  
19 business in the United States, then to the collector at Balti-  
20 more, Maryland. Such return shall contain such informa-  
21 tion and be made in such manner as the Commissioner with  
22 the approval of the Secretary may by regulations prescribe.  
23 The tax shall, without assessment by the Commissioner or  
24 notice from the collector, be due and payable to the collector  
25 before the expiration of the period for filing the return. If



1 the tax is not paid when due, there shall be added as part  
2 of the tax interest at the rate of 6 per centum per annum from  
3 the time when the tax became due until paid. All provisions  
4 of law (including penalties) applicable in respect of the  
5 taxes imposed by section 600 of the Revenue Act of 1926  
6 shall, insofar as not inconsistent with this section, be appli-  
7 cable in respect of the taxes imposed by this section. The  
8 Commissioner may extend the time for making the returns  
9 and paying the taxes imposed by this section, under such  
10 rules and regulations as he may prescribe with the approval  
11 of the Secretary, but no such extension shall be for more  
12 than sixty days.

13 (e) Returns required to be filed for the purpose of the  
14 tax imposed by this section shall be open to inspection in the  
15 same manner, to the same extent, and subject to the same pro-  
16 visions of law, including penalties, as returns made under  
17 Title II of the Revenue Act of 1926.

18 (f) For the first year ending June 30 in respect of  
19 which a tax is imposed by this section upon any corporation,  
20 the adjusted declared value shall be the value, as declared  
21 by the corporation in its first return under this section (which  
22 declaration of value cannot be amended), as of the close of  
23 its last income-tax taxable year ending at or prior to the  
24 close of the year for which the tax is imposed by this section  
25 (or as of the date of organization in the case of a corporation

1    *having no income-tax taxable year ending at or prior to the*  
2    *close of the year for which the tax is imposed by this section).*  
3    *For any subsequent year ending June 30, the adjusted*  
4    *declared value in the case of a domestic corporation shall be*  
5    *the original declared value plus (1) the cash and fair market*  
6    *value of property paid in for stock or shares, (2) paid in*  
7    *surplus and contributions to capital, (3) its net income, (4)*  
8    *the excess of its income wholly exempt from the taxes imposed*  
9    *by Title I of the Revenue Act of 1934, as amended, over*  
10    *the amount disallowed as a deduction by section 24(a) (5)*  
11    *of such title, and (5) the amount of the dividend deduction*  
12    *allowable for income tax purposes, and minus (A) the value*  
13    *of property distributed in liquidation to shareholders, (B)*  
14    *distributions of earnings or profits, and (C) the excess of*  
15    *the deductions allowable for income tax purposes over its*  
16    *gross income; adjustment being made for each income-tax*  
17    *taxable year included in the period from the date as of which*  
18    *the original declared value was declared to the close of its*  
19    *last income-tax taxable year ending at or prior to the close*  
20    *of the year for which the tax is imposed by this section. The*  
21    *amount of such adjustment for each such year shall be*  
22    *computed (on the basis of a separate return) according to the*  
23    *income tax law applicable to such year. For any subsequent*  
24    *year ending June 30, the adjusted declared value in the case*  
25    *of a foreign corporation shall be the original declared value*

1    *adjusted (for the same income-tax taxable years as in the case*  
2    *of a domestic corporation), in accordance with regulations*  
3    *prescribed by the Commissioner with the approval of the*  
4    *Secretary, to reflect increases or decreases in the capital*  
5    *employed in the transaction of its business in the United*  
6    *States.*

7            *(g) For the purpose of the tax imposed by this section*  
8    *there shall be allowed in the case of a corporation organized*  
9    *under the China Trade Act, 1922, as a credit against the*  
10    *adjusted declared value of its capital stock, an amount equal*  
11    *to the proportion of such adjusted declared value which*  
12    *the par value of the shares of stock of the corporation, owned*  
13    *on the last day of the taxable year by (1) persons resident*  
14    *in China, the United States, or possessions of the United*  
15    *States, and (2) individual citizens of the United States or*  
16    *China wherever resident, bears to the par value of the whole*  
17    *number of shares of stock of the corporation outstanding*  
18    *on such date.*

19            *(h) The capital stock tax imposed by section 701*  
20    *of the Revenue Act of 1934 shall not apply to any taxpayer*  
21    *with respect to any year after the year ending June 30,*  
22    *1935.*

23    **SEC. 106. EXCESS-PROFITS TAX**

24            *(a) There is hereby imposed upon the net income*  
25    *of every corporation for each income-tax taxable year end-*

1    *ing after the close of the first year in respect of which it*  
2    *is taxable under section 105, an excess-profits tax equal*  
3    *to the sum of the following:*

4        *6 per centum of such portion of its net income for*  
5    *such income-tax taxable year as is in excess of 10 per*  
6    *centum and not in excess of 15 per centum of the adjusted*  
7    *declared value;*

8        *12 per centum of such portion of its net income for*  
9    *such income-tax taxable year as is in excess of 15 per centum*  
10   *of the adjusted declared value.*

11        *(b) The adjusted declared value shall be determined*  
12   *as provided in section 105 as of the close of the preceding*  
13   *income-tax taxable year (or as of the date of organization*  
14   *if it had no preceding income-tax taxable year). If the*  
15   *income-tax taxable year in respect of which the tax under*  
16   *this section is imposed is a period of less than 12 months,*  
17   *such adjusted declared value shall be reduced to an amount*  
18   *which bears the same ratio thereto as the number of months*  
19   *in the period bears to 12 months. For the purposes of this*  
20   *section the net income shall be the same as the net income*  
21   *for income tax purposes for the year in respect of which*  
22   *the tax under this section is imposed, except that there shall*  
23   *be deducted the amount of income tax imposed for such year*  
24   *by section 13 of the Revenue Act of 1934, as amended.*

1       (c) All provisions of law (including penalties) ap-  
 2 plicable in respect of the taxes imposed by Title I of the  
 3 Revenue Act of 1934, as amended, shall, insofar as not  
 4 inconsistent with this section, be applicable in respect of the  
 5 tax imposed by this section, except that the provisions of  
 6 section 131 of that title shall not be applicable.

7       (d) The excess-profits tax imposed by section 702 of  
 8 the Revenue Act of 1934 shall not apply to any taxpayer  
 9 with respect to any income-tax taxable year ending after  
 10 June 30, 1936.

11 **SEC. ~~106~~ 107. TAXABLE YEARS TO WHICH APPLICABLE**

12       The amendments made by sections 101, 102 (*except*  
 13 *subsections (f) and (g) thereof*), 103, and 104 shall apply  
 14 only in the case of taxable years beginning after December  
 15 31, 1935, ~~and the amendment made by section 105 shall~~  
 16 ~~apply only in the case of income tax taxable years ending~~  
 17 ~~after June 30, 1936.~~

18 **SEC. 108. CREDIT ALLOWED CHINA TRADE ACT CORPORATIONS**

19       (a) Section 261 (a) of the Revenue Act of 1934 is  
 20 amended to read as follows:

21       “(a) ALLOWANCE OF CREDIT.—For the purpose only  
 22 of the taxes imposed by section 13 of this Act and section 106  
 23 of the Revenue Act of 1935 there shall be allowed, in the case  
 24 of a corporation organized under the China Trade Act, 1922,



1 in addition to the credit provided in section 26, a credit  
2 against the net income of an amount equal to the propor-  
3 tion of the net income derived from sources within China  
4 (determined in a similar manner to that provided in section  
5 119) which the par value of the shares of stock of the cor-  
6 poration owned on the last day of the taxable year by (1)  
7 persons resident in China, the United States, or possessions  
8 of the United States, and (2) individual citizens of the  
9 United States or China wherever resident, bears to the par  
10 value of the whole number of shares of stock of the corpora-  
11 tion outstanding on such date: Provided, That in no case  
12 shall the diminution, by reason of such credit, of the tax  
13 imposed by such section 13 (computed without regard to this  
14 section) exceed the amount of the special dividend certified  
15 under subsection (b) of this section; and in no case shall the  
16 diminution, by reason of such credit, of the tax imposed by  
17 such section 106 (computed without regard to this section)  
18 exceed the amount by which such special dividend exceeds  
19 the diminution permitted by this section in the tax imposed  
20 by such section 13."

21 (b) The amendment made by subsection (a) shall  
22 apply, with respect to the tax imposed by section 13 of the  
23 Revenue Act of 1934, as amended, only in the case of tax-  
24 able years beginning after December 31, 1935.



1    *SEC. 109. PERSONAL HOLDING COMPANIES*

2            *(a) Section 351(a) of the Revenue Act of 1934 is*  
 3    *amended to read as follows:*

4            *“(a) IMPOSITION OF TAX.—There shall be levied, col-*  
 5    *lected, and paid, for each taxable year, upon the undistrib-*  
 6    *uted adjusted net income of every personal holding company a*  
 7    *surtax equal to the sum of the following:*

8            *“(1) 20 per centum of the amount thereof not in excess*  
 9    *of \$2,000; plus*

10           *“(2) 30 per centum of the amount thereof in excess of*  
 11    *\$2,000 and not in excess of \$100,000; plus*

12           *“(3) 40 per centum of the amount thereof in excess of*  
 13    *\$100,000 and not in excess of \$500,000; plus*

14           *“(4) 50 per centum of the amount thereof in excess of*  
 15    *\$500,000 and not in excess of \$1,000,000; plus*

16           *“(5) 60 per centum of the amount thereof in excess of*  
 17    *\$1,000,000.”*

18           *(b) Section 351(b)(1) of the Revenue Act of 1934 is*  
 19    *amended by adding at the end thereof the following: “If in*  
 20    *the case of an affiliated group of corporations as hereinafter*  
 21    *defined in this paragraph, the sum of the portions of the*  
 22    *gross incomes of all members of the group derived from*  
 23    *royalties, dividends, interest, annuities, and (except in the*  
 24    *case of regular dealers in stocks or securities) gains from*

1 the sale of stocks or securities, is less than 80 per centum of  
 2 the sum of the gross incomes of all members of the group,  
 3 then, the common parent corporation of such affiliated group  
 4 shall not be considered a personal holding company. As used  
 5 in this paragraph, an 'affiliated group of corporations'  
 6 means one or more chains of corporations connected through  
 7 stock ownership with a common parent corporation, if (F)  
 8 at least 95 per centum of the stock of the corporation (except  
 9 the common parent corporation) is owned directly during the  
 10 entire taxable year by one or more of the other corporations;  
 11 and (G) the common parent corporation owns directly dur-  
 12 ing the entire taxable year at least 95 per centum of the stock  
 13 of at least one of the other corporations. The term 'stock'  
 14 as used in clauses (F) and (G) does not include nonvoting  
 15 stock which is limited and preferred as to dividends."

16 (c) Section 351(b)(2)(C) is amended by striking out  
 17 the period at the end thereof and inserting in lieu thereof  
 18 a comma and the following: "and distributions (not in com-  
 19 plete or partial liquidation and not a 'dividend' as defined  
 20 in section 115) made during the taxable year out of earn-  
 21 ings or profits of such year."

22 (d) The amendments made by this section shall apply  
 23 only in the case of taxable years beginning after December  
 24 31, 1935.

## TITLE II—INHERITANCE TAX

### SEC. 201. DEFINITIONS

When used in this title—

(a) The term “executor” means the executor of the decedent’s will or the administrator of his estate, and, if there is no executor or administrator appointed, qualified and acting within the United States with respect to any property the transfer of which is subject to the tax imposed by this title, any person in actual or constructive possession of such property.

(b) The term “month” means calendar month.

(c) The term “collector” means the collector of internal revenue of the district in which was the domicile of the decedent at the time of his death, or if there was no such domicile in the United States, then the collector of the district in which is situated the property the transfer of which is subject to the tax imposed by this title, or if there is property so subject which is situated in more than one district or is situated outside the United States, then the collector of internal revenue of such district as may be designated by the Commissioner.

(d) The term “beneficiary” means any person beneficially entitled to any property the transfer of which is subject to the tax imposed by this title.

1        (c) The term “property” means any property, real  
 2   or personal, tangible or intangible, or any interest therein  
 3   or income therefrom. Any right in respect of any property  
 4   which, however exercisable, is exercisable by the holder  
 5   of the right (either alone or in conjunction with any other  
 6   person) in favor of such holder, in favor of his estate, or  
 7   in favor of one or more of his creditors shall, for the pur-  
 8   poses of this title, be deemed the equivalent of such property:

9    **SEC. 202. IMPOSITION OF TAX**

10        (a) GENERAL RULE.—There is hereby imposed upon  
 11   the right to receive or acquire any property, wherever situ-  
 12   ated (except real property situated outside the United  
 13   States), transferred, in trust or otherwise, by reason of the  
 14   death of a resident or citizen of the United States, or any  
 15   property, situated in the United States, transferred, in trust  
 16   or otherwise, by reason of the death of a nonresident of the  
 17   United States, not a citizen thereof, a tax equal to the sum  
 18   of the following percentages of the total net value of the  
 19   beneficial interests transferred, in trust or otherwise, by rea-  
 20   son of the death of such decedent to each beneficiary:

21        Upon a total net value not in excess of \$10,000, 4-  
 22   per centum:

23        \$400 upon a total net value of \$10,000; and upon  
 24   a total net value in excess of \$10,000 and not in excess  
 25   of \$20,000, 8 per centum in addition of such excess:



1       \$1,200 upon a total net value of \$20,000; and upon  
 2       a total net value in excess of \$20,000 and not in excess  
 3       of \$30,000, 12 per centum in addition of such excess.

4       \$2,400 upon a total net value of \$30,000; and upon  
 5       a total net value in excess of \$30,000 and not in excess  
 6       of \$50,000, 16 per centum in addition of such excess.

7       \$5,600 upon a total net value of \$50,000; and upon  
 8       a total net value in excess of \$50,000 and not in excess  
 9       of \$100,000, 20 per centum in addition of such excess.

10       \$15,600 upon a total net value of \$100,000; and upon  
 11       a total net value in excess of \$100,000 and not in excess  
 12       of \$150,000, 24 per centum in addition of such excess.

13       \$27,600 upon a total net value of \$150,000; and upon  
 14       a total net value in excess of \$150,000 and not in excess  
 15       of \$400,000, 32 per centum in addition of such excess.

16       \$55,600 upon a total net value of \$250,000; and upon  
 17       a total net value in excess of \$250,000 and not in excess  
 18       of \$400,000, 23 per centum in addition of such excess.

19       \$103,600 upon a total net value of \$400,000; and upon  
 20       a total net value in excess of \$400,000 and not in excess of  
 21       \$700,000, 36 per centum in addition of such excess.

22       \$211,600 upon a total net value of \$700,000; and upon  
 23       a total net value in excess of \$700,000 and not in excess of  
 24       \$1,000,000, 40 per centum in addition of such excess.

1       \$331,600 upon a total net value of \$1,000,000; and  
2 upon a total net value in excess of \$1,000,000 and not in  
3 excess of \$1,500,000, 44 per centum in addition of such  
4 excess.

5       \$551,600 upon a total net value of \$1,500,000; and  
6 upon a total net value in excess of \$1,500,000 and not in  
7 excess of \$2,000,000, 48 per centum in addition of such  
8 excess.

9       \$791,600 upon a total net value of \$2,000,000; and  
10 upon a total net value in excess of \$2,000,000 and not in  
11 excess of \$3,000,000, 52 per centum in addition of such  
12 excess.

13       \$1,311,600 upon a total net value of \$3,000,000; and  
14 upon a total net value in excess of \$3,000,000 and not in  
15 excess of \$4,000,000, 56 per centum in addition of such  
16 excess.

17       \$1,871,600 upon a total net value of \$4,000,000; and  
18 upon a total net value in excess of \$4,000,000 and not in  
19 excess of \$5,000,000, 60 per centum in addition of such  
20 excess.

21       \$2,471,600 upon a total net value of \$5,000,000; and  
22 upon a total net value in excess of \$5,000,000 and not in  
23 excess of \$6,000,000, 64 per centum in addition of such  
24 excess.



1       \$3,111,600 upon a total net value of \$6,000,000; and  
 2   upon a total net value in excess of \$6,000,000 and not in  
 3   excess of \$8,000,000, 68 per centum in addition of such  
 4   excess.

5       \$4,471,600 upon a total net value of \$8,000,000; and  
 6   upon a total net value in excess of \$8,000,000 and not in  
 7   excess of \$10,000,000, 72 per centum in addition of such  
 8   excess.

9       \$5,911,600 upon a total net value of \$10,000,000;  
 10   and upon a total net value in excess of \$10,000,000, 75 per  
 11   centum in addition of such excess.

12       **(b) CORPORATIONS FOR AVOIDING TAX.**—If any  
 13   corporation is formed or availed of for the purpose of avoid-  
 14   ing the tax imposed by subsection (a), or any part thereof,  
 15   the rate of tax on such corporation shall be 80 per centum  
 16   of the total net value of the beneficial interests in lieu of  
 17   the rate provided in such subsection.

18       **(c) FAMILY CORPORATIONS.**—If an interest or con-  
 19   trol, direct or indirect, of 50 per centum or more in any  
 20   corporation exists in any one or more of the persons bearing  
 21   the relationship to the decedent specified in section 205(b)-  
 22   as entitling them to a specific exemption of \$50,000, the  
 23   rate of tax on such corporation shall be 80 per centum of  
 24   the total net value of the beneficial interests in lieu of the

1 rate provided in subsection (a), unless such corporation  
2 establishes to the satisfaction of the Commissioner that it  
3 has not been formed or availed of for the purpose of avoiding  
4 the tax imposed by subsection (a), or any part thereof.

5 (d) CREDIT FOR GIFT TAX.—If a tax has been  
6 paid under Title III on the receipt of a gift, and there-  
7 after upon the death of the donor any amount in  
8 respect of such gift is required to be included in the  
9 gross value of the beneficial interests received from the  
10 decedent by the donee for the purposes of this title, then  
11 there shall be credited against the tax upon such donee im-  
12 posed by this title the amount of the tax paid under Title  
13 III with respect to so much of the property which con-  
14 stituted the gift received as is included in the gross value of  
15 the beneficial interests received from the decedent, except  
16 that the amount of such credit shall not exceed an amount  
17 which bears the same ratio to the tax imposed by this title as  
18 the value (at the time of the gift or at the time of the death,  
19 whichever is lower) of so much of the property which con-  
20 stituted the gift received as is included in the beneficial  
21 interests received from the decedent, bears to the gross value  
22 of the beneficial interest received by the beneficiary. For the  
23 purposes of computing this credit, the amount of tax paid for  
24 any year under Title III with respect to any property shall  
25 be an amount which bears the same ratio to the total tax

1 paid for such year as the value of such property included  
 2 in the total amount of gifts received bears to the total amount  
 3 of net gifts received (computed without deduction of the  
 4 specific exemption) for such year.

5 **SEC. 203. TAXABLE AND NONTAXABLE TRANSFERS**

6 (a) **TAXABLE TRANSFERS.**—For the purposes of this  
 7 title, there shall be considered as transfers by reason of the  
 8 death of a decedent—

9 (1) **WILL OR INTESTACY.**—A transfer by  
 10 will or by the laws of intestate succession when the  
 11 death of the decedent was after the enactment of this  
 12 Act;

13 (2) **CONTEMPLATION OF DEATH.**—A trans-  
 14 fer by the decedent before his death but after the  
 15 enactment of this Act in contemplation of his death.  
 16 A transfer of a material part of his property in the  
 17 nature of a final disposition or distribution thereof, made  
 18 by the decedent within two years prior to his death  
 19 shall be deemed, unless shown to the contrary, to have  
 20 been made in contemplation of his death;

21 (3) **TAKING EFFECT AT OR AFTER DEATH.**—  
 22 A transfer by the decedent before his death but after  
 23 the enactment of this Act with the intention that  
 24 it should take effect in possession or enjoyment at or  
 25 after his death, including a transfer under which the

1        decedent retained for his life, or for any period not  
 2        ascertainable without reference to his death, or for a  
 3        period of such duration as to evidence an intention that  
 4        he should retain for his life ~~(A)~~ the possession or  
 5        enjoyment of, or the right to the income from the  
 6        transferred property, or ~~(B)~~ the right, either alone or  
 7        in conjunction with any person, to designate the per-  
 8        sons who shall possess or enjoy the property or the  
 9        income therefrom;

10            ~~(4)~~ POWERS OF APPOINTMENT, AND SO  
 11        FORTH.—A transfer by the decedent, either before or  
 12        after the enactment of this Act, if his death occurred  
 13        after such enactment, and if at his death he had, either  
 14        alone or in conjunction with any person, the right to  
 15        designate or appoint to whom the property should pass  
 16        at or after his death; or if at his death the enjoyment  
 17        of the property was subject to any change through the  
 18        exercise of a power, either by decedent alone or in  
 19        conjunction with any person, to alter, amend, or re-  
 20        voke; or if any such right to designate or appoint,  
 21        or any such power to alter, amend, or revoke,  
 22        was relinquished by the decedent after the enact-  
 23        ment of this Act in contemplation of his death. For  
 24        the purposes of this subsection the power to alter,  
 25        amend, or revoke shall be considered to exist on the



1 date of the decedent's death even though the exercise  
 2 of the power is subject to a precedent giving of notice,  
 3 or even though the alteration, amendment, or revoca-  
 4 tion takes effect only at the expiration of a stated  
 5 period after the exercise of the power, whether or not  
 6 on or before the date of the decedent's death notice  
 7 has been given or the power has been exercised. In  
 8 such cases proper adjustment shall be made represent-  
 9 ing the interests which would have been excluded from  
 10 the power if the decedent had lived, and for such pur-  
 11 pose if the notice has not been given or the power has  
 12 not been exercised on or before the date of his death,  
 13 such notice shall be considered to have been given, or  
 14 the power exercised, on the date of his death;

15       (5) RIGHTS EXERCISABLE BY DECEDENT.—

16 The receipt of property (A) which at the death of  
 17 a decedent dying after the enactment of this Act was  
 18 subject to a right (created by any person other than  
 19 the decedent) which, however exercisable, was exer-  
 20 cisable by the decedent (either alone or in conjunc-  
 21 tion with any other person) in his own favor, in favor  
 22 of his estate, or in favor of one or more of his  
 23 creditors, whether the right was or was not in fact  
 24 exercised, or (B) which was ever subject to such a  
 25 right (1) if such right was exercised or relinquished



by such decedent before his death and after the enactment of this Act in any manner described in paragraphs (2) and (3) of this subsection; or (2) if such right was exercised by the decedent either before or after the enactment of this Act and there existed at the decedent's death after the enactment of this Act, any right to designate or appoint or any power to alter, amend, or revoke, of the kind described in paragraph (4) of this subsection; or if any such right or power was exercised or relinquished by the decedent after the enactment of this Act in contemplation of his death;

(6) ACCRUAL THROUGH SURVIVORSHIP.—The accrual, by reason of the death of a decedent, dying after the enactment of this Act, and through survivorship, to a surviving tenant or depositor of property held as joint tenants by the decedent and any other person, or as tenants by the entirety by the decedent and spouse, or deposited with any person carrying on a banking business in their joint names and payable to either or the survivor, except such part thereof as may be shown to have originally belonged to such other person and never to have been received or acquired by the latter from the decedent for less than a full and adequate consideration in money or money's worth. Where such property or

any part thereof or part of the consideration with which such property was acquired is shown to have been at any time acquired by such other person from the decedent for less than a full and adequate consideration in money or money's worth, there shall be excepted only such part of the value of such property as is proportionate to the consideration furnished by such other person. Where any property has been acquired by gift, bequest, devise, or inheritance, as a tenancy by the entirety by the decedent and spouse, then it shall be deemed to have accrued to the survivor to the extent of one-half of the value thereof, or, where so acquired by the decedent and any other person as joint tenants or owners and their interests are not otherwise specified or fixed by law, then to the extent of the value of a fractional part to be determined by dividing the value of the decedent's interest by the number of the other joint tenants or owners;

(7) INSURANCE.—The receipt by any person of the proceeds of insurance under policies taken out by the decedent upon his own life, even though at the time of the decedent's death he did not have the right to change the beneficiary or have any legal incident of ownership; and

1           (8) DISCHARGE OF CLAIMS.—The receipt by  
 2       any person of property in discharge, in whole or in  
 3       part, of any claim against the whole or any part of the  
 4       estate of a decedent dying after the enactment of this  
 5       Act founded upon a promise or agreement not con-  
 6       tracted for an adequate and full consideration in money  
 7       or money's worth.

8       (b) DOWER, AND SO FORTH, NOT TAXABLE.—FOR  
 9       the purposes of this title, the consummation in a surviving  
 10      spouse of dower, curtesy, or of a statutory estate created  
 11      in lieu of dower or curtesy, or the receipt by a surviving  
 12      spouse of an equivalent amount of property elected, after  
 13      the death of the decedent, in lieu of any of the foregoing  
 14      shall not be considered as a transfer by reason of the death  
 15      of a decedent.

16      (c) CHARITABLE, AND SO FORTH, TRANSFERS.—  
 17      There shall be exempt from the tax imposed by this title  
 18      transfers to or for the use of—

19           (1) the United States, any State, Territory, or  
 20      any political subdivision thereof, or the District of  
 21      Columbia, for exclusively public purposes;

22           (2) a domestic corporation organized and oper-  
 23      ated exclusively for religious, charitable, scientific, lit-  
 24      erary, or educational purposes, including the encourage-  
 25      ment of art and the prevention of cruelty to children

or animals; no part of the net earnings of which inures to the benefit of any private shareholder or individual;

(3) a trust, or community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals; but only if such gifts are to be used within the United States exclusively for such purposes;

(4) a fraternal society, order, or association, operating under the lodge system, but only if such gifts are to be used within the United States exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals;

(5) posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private shareholder or individual;

(6) the special fund for vocational rehabilitation authorized by section 42 of the World War Veterans' Act, 1924.



1       (d) CONSIDERATION FOR TRANSFER.—If any trans-  
 2       fer described in paragraph (2), (3), or (4) of subsection  
 3       (a) of this section is made, or any right or power described  
 4       in such paragraph (4) is relinquished, or any power  
 5       described in paragraph (5) of subsection (a) of this sec-  
 6       tion is relinquished or exercised, or the exercise thereof is  
 7       refrained from, for an adequate and full consideration in  
 8       money or money's worth received by the decedent, no  
 9       value in respect of the property passing or affected thereby  
 10      shall be included. In the case of any such transfer for less  
 11      than an adequate and full consideration, and in the case of  
 12      a transfer described in paragraph (8) of subsection (a)  
 13      of this section, only the excess of the value of the beneficial  
 14      interest over the consideration received by the decedent,  
 15      valued at the same date, shall be included.

16      (e) SAME—RELINQUISHMENT OF MARITAL ES-  
 17      TATES.—For the purposes of this title, a relinquishment  
 18      or promised relinquishment of dower, curtesy, or a statu-  
 19      tory estate in lieu of dower or curtesy, shall be considered  
 20      consideration in money or money's worth only to the extent  
 21      of the value thereof at the time of the decedent's death,  
 22      and a relinquishment or promised relinquishment of other  
 23      marital rights in the decedent's property shall not be con-  
 24      sidered to any extent a consideration in money or money's  
 25      worth.



1    **SEC. 204. GROSS VALUE OF BENEFICIAL INTERESTS**

2        ~~(a)~~ **DATE OF DETERMINATION.**—The total gross  
3    value of the beneficial interests transferred to each bene-  
4    ficiary shall be determined as of the date of the decedent's  
5    death.

6        ~~(b)~~ **INCLUSION OF TAX.**—A direction in the will  
7    or instrument of transfer that the tax imposed by this title  
8    with respect to any beneficial interest be paid otherwise than  
9    out of such beneficial interest shall be considered as increas-  
10   ing the amount of such beneficial interest by the amount  
11   of such tax.

12   **SEC. 205. NET VALUE OF BENEFICIAL INTERESTS—DE-**  
13        **DUCTIONS**

14        ~~(a)~~ **DEDUCTIONS.**—In determining the total net  
15   value of the beneficial interests transferred to each  
16   beneficiary, the following items ~~(and no others)~~ shall,  
17   in addition to the specific exemption allowed in sub-  
18   section ~~(b)~~, be allowed as deductions from the total gross  
19   value of the beneficial interests, but only to the extent  
20   that the item is, under the applicable law, properly  
21   allocable to such beneficial interests, that such item does  
22   not exceed the value of the parts of the beneficial interests  
23   to which so allocable, and that such item has not been  
24   taken into account in determining gross value:

25        ~~(1)~~ Funeral expenses;

1           ~~(2)~~ Administration expenses;

2           ~~(3)~~ Claims against the estate or any part thereof;

3           ~~(4)~~ Death duties actually paid under the law of  
4 any jurisdiction (except death duties imposed under the  
5 law of any jurisdiction outside the United States, in the  
6 case of any beneficial interest transferred by reason of  
7 the death of a nonresident, not a citizen of the United  
8 States, and except the tax imposed by this title on the  
9 beneficial interest);

10          ~~(5)~~ Amounts reasonably required and actually  
11 expended for the support, during the settlement of the  
12 estate, of those dependent upon the decedent, but so  
13 much of the amount so expended with respect to any  
14 individual in any year as exceeds \$10,000 shall be  
15 added to the gross value of the beneficial interests of  
16 such individual;

17          ~~(6)~~ Losses incurred during the settlement of the  
18 estate arising from fires, storms, shipwrecks, or other  
19 casualties, or from theft, when such losses are not com-  
20 pensated for by insurance or otherwise, and if at the  
21 time of the filing of the return such losses have not been  
22 claimed as a deduction for income-tax purposes in an  
23 income-tax return; and

24          ~~(7)~~ The net shrinkage in value of the total bene-  
25 ficial interests of the beneficiary arising solely from the

1 difference in value of assets of the decedent's estate on  
2 the date of death and the value of such assets one year  
3 after the decedent's death (or date of sale or exchange  
4 in the case of assets sold or exchanged during such  
5 period); but only to the extent that such shrinkage is  
6 not covered by any other deduction under this sub-  
7 section.

8 (b) SPECIFIC EXEMPTIONS.—In addition to the de-  
9 ductions allowed in subsection (a), there shall be allowed  
10 as a deduction a specific exemption of \$40,000, except that  
11 the specific exemption shall be \$50,000 in the case of a  
12 surviving spouse, child (including a child legally adopted  
13 before it attained the age of twenty-one), father, mother,  
14 brother or sister (including a brother or sister of the half  
15 blood), grandchild, grandfather, or grandmother.

16 (c) NONRESIDENT DECEDENTS.—In the case of  
17 any property transferred by reason of the death of  
18 a nonresident decedent not a citizen of the United  
19 States, no deduction shall be allowed in computing the  
20 value of any beneficial interest in such property unless the  
21 executor includes in the return required to be filed under  
22 section 208 the value of all property, wherever situated,  
23 transferred by reason of the death of such decedent.

1    **SEC. 206. CONTINGENT ESTATES, AND SO FORTH**

2        (a) VALUATION.—The value of any beneficial interest  
 3    dependent upon any life or lives shall, so far as possible,  
 4    be determined in accordance with accepted actuarial prin-  
 5    ciples, and based upon such tables of mortality as the Com-  
 6    missioner shall from time to time adopt; and upon an interest  
 7    rate of 4 per centum per annum compounded annually;  
 8    or, if the beneficial interest is governed by a contract, then  
 9    upon such interest rate (determined in such manner as the  
 10   Commissioner shall by regulations prescribe) as is properly  
 11   applicable in valuing such beneficial interest. The value of  
 12   the beneficial interest remaining after such temporary bene-  
 13   ficial interest shall be determined by deducting the computed  
 14   value of such temporary interest from the value of the  
 15   entire property in which such remaining interest exists.

16        (b) ESTATES WHICH MAY BE DIVESTED.—Where  
 17   an estate or interest may be divested by the act or omission  
 18   of the beneficiary (whether alone or in conjunction with  
 19   any person); the tax shall be computed as if there were no  
 20   possibility of divesting.

21        (c) COMPOSITION OF TAX.—

22            (1) If the tax cannot be determined because of  
 23   a contingency, the Commissioner, with the approval of  
 24   the Secretary, may compromise the tax upon such  
 25   terms as he deems best in the interests of the United  
 26   States.

1           ~~(2)~~ If such compromise is not made the tax  
2 shall be computed on the total net value of the bene-  
3 ficial interests of each beneficiary whose tax liability  
4 is in question, excluding the beneficial interest to which  
5 the contingency relates.

6           ~~(3)~~ The remainder of the tax imposed by section  
7 202 shall be held in abeyance until the contingency has  
8 occurred. The Commissioner shall require such bond  
9 as he deems necessary to secure the prompt payment of  
10 any part of the tax so held in abeyance and in any case  
11 of failure to file such bond, the tax shall be a tax  
12 computed at the highest possible rate and such tax shall  
13 be immediately payable.

14           ~~(4)~~ Within one year after the time of the occur-  
15 rence of the contingency, a return with respect to the  
16 tax held in abeyance shall be filed by the person liable  
17 for the tax in such manner as the Commissioner, with  
18 the approval of the Secretary, shall by regulations pre-  
19 scribe. The tax imposed by section 202 shall be re-  
20 computed as if no tax had been paid under paragraph  
21 ~~(2)~~ of this subsection; the tax, if any, under paragraph  
22 ~~(2)~~ shall be deducted from such recomputed tax; and  
23 the remainder of the tax shall be due and payable at the  
24 time fixed for filing such return. The gross value of  
25 the beneficial interest with respect to which the tax was



held in abeyance shall, for the purpose of recomputing the tax, be the gross value thereof as of the date of the death of the decedent computed as if the facts with respect to the occurrence of the contingency had been known on such date, and interest shall be collected, with respect to so much of the recomputed tax as was held in abeyance, at the rate of 4 per centum per annum, compounded annually, from the original due date of the tax to the due date of the recomputed tax.

**SEC. 207. NONRESIDENT DECEDENTS NOT CITIZENS OF  
THE UNITED STATES**

(a) For the purposes of this title, stock in a domestic corporation or any obligation of a resident, corporate or otherwise, owned by a nonresident decedent, not a citizen of the United States, shall be deemed property situated in the United States, and any property of which the decedent has made a transfer, in trust or otherwise, within the meaning of section 203(a) (2), (3), or (5), shall be deemed to be situated in the United States, if so situated either at the time of the transfer or at the time of the decedent's death.

(b) The amount receivable as insurance upon the life of a nonresident decedent not a citizen of the United States, and any moneys deposited with any person carrying

1 on the banking business by or for a nonresident decedent  
2 not a citizen of the United States who was not engaged in  
3 business in the United States at the time of his death, shall  
4 not, for the purpose of this title, be deemed property within  
5 the United States.

6 **SEC. 208. RETURNS**

7 The executor, within two months after the decedent's  
8 death, or within a like period after qualifying as such, shall  
9 give written notice thereof to the collector. The executor  
10 shall also file with the collector within eighteen months  
11 after the death of the decedent a return under oath in dupli-  
12 cate with respect to each person to whom property is trans-  
13 ferred by reason of the death of a citizen or resident of the  
14 United States, and with respect to each person to whom  
15 property situated in the United States is transferred by  
16 reason of the death of any other decedent, but in either case  
17 only if the beneficial interests transferred to such person  
18 exceed \$10,000 in total gross value, or comprise an interest  
19 the tax with respect to which cannot be determined because  
20 of a contingency. Such return shall be made in such  
21 manner, and shall set forth such information, as the Com-  
22 missioner, with the approval of the Secretary, shall by  
23 regulations prescribe as necessary or appropriate for the  
24 ascertainment or collection of the tax.

1    **SEC. 209. RECORDS AND SPECIAL RETURNS**

2            (a) **IN GENERAL.**—Every person liable to any tax  
 3 imposed by this title or for the collection thereof, or having  
 4 the title, possession, custody, or control of any property  
 5 transferred by reason of the death of the decedent, shall keep  
 6 such records, render under oath such statements, make such  
 7 returns, and comply with such rules and regulations, as the  
 8 Commissioner, with the approval of the Secretary, may  
 9 from time to time prescribe.

10          (b) **TO DETERMINE LIABILITY TO TAX.**—Whenever  
 11 in the judgment of the Commissioner necessary he may re-  
 12 quire any person, by notice served upon him, to make a  
 13 return, render under oath such statements, and keep such  
 14 records, as the Commissioner deems sufficient to show  
 15 whether or not such person is liable to tax under this title.

16    **SEC. 210. PAYMENT OF TAX**

17          (a) **COLLECTION AND DEDUCTION BY EXECUTOR.**—  
 18 The tax imposed by this title with respect to the beneficial  
 19 interests transferred to each beneficiary shall be collected by  
 20 the executor from such beneficiary or deducted and withheld  
 21 from any property in the executor's possession or control  
 22 transferred to such beneficiary. Each beneficiary shall be  
 23 liable to the executor for the tax imposed by this title upon  
 24 such beneficiary. Whenever there is a transfer of property  
 25 taxable under this title of which the executor has no posses-

1 sion or control, the person having possession or control  
 2 thereof, or under liability to make any payment to the  
 3 beneficiary, shall be liable to the executor for the tax upon  
 4 such transfer, and, unless the tax has been paid by the  
 5 beneficiary to the executor, shall collect or deduct it from  
 6 such property or such payment and pay it to the executor:  
 7 *Provided, however,* That the Commissioner may, with the  
 8 approval of the Secretary, by regulations authorize the pay-  
 9 ment of such tax directly to the collector and relieve the  
 10 executor from liability therefor. This subsection shall not  
 11 apply to the portion of tax held in abeyance under section  
 12 206.

13 ~~(b)~~ TAX COLLECTIBLE OUT OF PROPERTY.—All  
 14 taxes under this title may be collected out of the real or  
 15 personal property in which the respective beneficial interests  
 16 exist. Nothing in this title shall prevent an executor from  
 17 paying taxes out of such property as the will or other instru-  
 18 ment under which transfer is made shall direct, but such  
 19 directions shall not affect any right of the United States or of  
 20 the collector to collect the tax or to a lien therefor.

21 ~~(c)~~ PAYMENT BY EXECUTOR.—The executor shall be  
 22 liable for the tax required to be so collected or withheld by  
 23 him, and shall pay such tax to the collector not later than  
 24 eighteen months after the decedent's death. If the Com-  
 25 missioner is satisfied that the tax liability has been fully dis-



1 charged or provided for he shall, under regulations pre-  
 2 scribed by him with the approval of the Secretary, issue his  
 3 certificate discharging the executor from the liability for tax  
 4 imposed by this subsection.

5       (d) REIMBURSEMENT OF BENEFICIARY.—If the  
 6 amount of tax paid or collected out of property trans-  
 7 ferred to any beneficiary exceeds the amount of tax for  
 8 which such beneficiary is liable, such beneficiary shall be  
 9 entitled to reimbursement to the extent of such excess out  
 10 of any part of the estate still undistributed, or to a just  
 11 and equitable contribution by the persons liable for the tax so  
 12 paid or collected under this title.

13       (e) PERSONAL LIABILITY OF BENEFICIARY.—If the  
 14 tax is not paid when due, the beneficiary subject to tax shall  
 15 be personally liable for such tax.

16       (f) EXTENSION OF TIME FOR PAYMENT.—Where  
 17 the Commissioner finds that the payment on the due date  
 18 of any part of the amount determined by the executor as the  
 19 tax would impose undue hardship, the Commissioner may  
 20 extend the time for payment of any such part not to exceed  
 21 ten years from the due date. In such case the amount in  
 22 respect of which the extension is granted shall be paid on  
 23 or before the date of the expiration of the period of the  
 24 extension, and the running of the statute of limitations for  
 25 assessment and collection, as provided in section 248, shall



1 be suspended for the period of any such extension. If an  
 2 extension is granted, the Commissioner may require the  
 3 furnishing of a bond in such amount, not exceeding double  
 4 the amount in respect of which the extension is granted, and  
 5 with such sureties as the Commissioner deems necessary,  
 6 conditioned upon the payment of the amount in respect of  
 7 which the extension is granted in accordance with the  
 8 terms of the extension.

9       (g) ~~INTEREST ON EXTENDED PAYMENTS.~~—If the  
 10 time for the payment is thus extended there shall be col-  
 11 lected, as a part of such amount, interest thereon at the rate  
 12 of 3 per centum per annum for the first three years from the  
 13 expiration of six months after the due date of the tax, and  
 14 at the rate of 6 per centum per annum thereafter, to the  
 15 date of the expiration of the period of the extension.

16       (h) ~~VOLUNTARY ADVANCE PAYMENT.~~—A tax im-  
 17 posed by this title may be paid, at the election of the  
 18 executor, prior to the date prescribed for its payment.

19       (i) ~~FRACTIONAL PARTS OF CENT.~~—In the payment  
 20 of any tax under this title a fractional part of a cent shall  
 21 be disregarded unless it amounts to one-half cent or more,  
 22 in which case it shall be increased to 1 cent.

23       (j) ~~RECEIPTS.~~—The collector to whom any payment  
 24 of any tax under this title is made shall, upon request, grant  
 25 to the person making such payment a receipt therefor.

1    **SEC. 211. LIEN FOR TAX**

2            The tax imposed by this title shall be a lien upon the  
 3    property with respect to which the tax is imposed for  
 4    fourteen years from the date of the death of the decedent;  
 5    except that such part of the property as is used for the  
 6    payment of charges against the estate and expenses of its  
 7    administration, allowed by any court having jurisdiction  
 8    thereof, shall be divested of such lien. In the case of prop-  
 9    erty the tax with respect to which is held in abeyance under  
 10   section 206(e) ~~(3)~~ the lien shall exist until the expiration  
 11   of five years from the filing of the return of the recom-  
 12   puted tax under section 206(e) ~~(4)~~. If the Commissioner  
 13   is satisfied that the tax liability has been fully discharged  
 14   or provided for, he may, under regulations prescribed by  
 15   him with the approval of the Secretary, issue his certificate,  
 16   releasing any or all of the property from the lien herein  
 17   imposed.

18   **SEC. 212. EXAMINATION OF RETURN AND DETERMINA-**  
 19   **TION OF TAX**

20            As soon as practicable after the return is filed the Com-  
 21   missioner shall examine it and shall determine the correct  
 22   amount of the tax.

23   **SEC. 213. DEFINITION OF DEFICIENCY**

24            As used in this title in respect of the tax imposed by  
 25   this title the term "deficiency" means—

~~(1)~~ The amount by which the tax imposed by this title exceeds the amount shown as the tax upon the return; but the amount so shown on the return shall first be increased by the amounts previously assessed ~~(or collected without assessment)~~ as a deficiency, and decreased by the amounts previously abated, refunded, or otherwise repaid in respect of such tax; or

~~(2)~~ If no amount is shown as the tax upon the return, or if no return is made, then the amount by which the tax exceeds the amounts previously assessed ~~(or collected without assessment)~~ as a deficiency; but such amounts previously assessed, or collected without assessment, shall first be decreased by the amounts previously abated, refunded, or otherwise repaid in respect of such tax.

#### SEC. 214. ASSESSMENT AND COLLECTION OF DEFICIENCIES

~~(a)~~ PETITION TO BOARD OF TAX APPEALS.—If the Commissioner determines that there is a deficiency in respect of the tax imposed by this title, the Commissioner is authorized to send notice of such deficiency by registered mail to the person against whom the deficiency is asserted. Within 90 days after such notice is mailed ~~(not counting~~ Sunday or a legal holiday in the District of Columbia as the

1   ninetieth day); such person may file a petition with the  
 2   Board of Tax Appeals for a redetermination of the deficiency.  
 3   No assessment of a deficiency against a person against whom  
 4   such deficiency is asserted in respect to the tax imposed  
 5   by this title and no distraint or proceeding in court for its  
 6   collection shall be made, begun, or prosecuted until such  
 7   notice has been mailed to him, nor until the expiration of  
 8   such ninety-day period, nor, if a petition has been filed  
 9   with the Board, until the decision of the Board has become  
 10   final. Notwithstanding the provisions of section 3224 of  
 11   the Revised Statutes the making of such assessment or the  
 12   beginning of such proceeding or distraint during the time  
 13   such prohibition is in force may be enjoined by a proceeding  
 14   in the proper court.

15       For exceptions to the restrictions imposed by this  
 16   subsection see—

17           ~~(1)~~ Subsection ~~(d)~~ of this section, relating to  
 18       waivers;

19           ~~(2)~~ Subsection ~~(f)~~ of this section, relating to  
 20       notifications of mathematical errors appearing upon  
 21       the face of the return;

22           ~~(3)~~ Section 215, relating to jeopardy assess-  
 23       ments;

24           ~~(4)~~ Section 217, relating to bankruptcy and  
 25       receiverships; and

~~(5)~~ Section 1001 of the Revenue Act of 1926, as amended, relating to assessment or collection of the amount of the deficiency determined by the Board pending court review.

~~(b)~~ COLLECTION OF DEFICIENCY FOUND BY BOARD.—If the person against whom the deficiency is asserted files a petition with the Board, the entire amount redetermined as the deficiency by the decision of the Board which has become final shall be assessed and shall be paid upon notice and demand from the collector. No part of the amount determined as a deficiency by the Commissioner but disallowed as such by the decision of the Board which has become final shall be assessed or be collected by distraint or by proceeding in court with or without assessment.

~~(c)~~ FAILURE TO FILE PETITION.—If the person against whom the deficiency is asserted does not file a petition with the Board within the time prescribed in subsection ~~(a)~~ the deficiency, notice of which has been mailed to him, shall be assessed, and shall be paid upon notice and demand from the collector.

~~(d)~~ WAIVER OF RESTRICTIONS.—The person against whom the deficiency is asserted shall at any time have the right, by a signed notice in writing filed with the Commissioner, to waive the restrictions provided in subsection



1 ~~(a)~~ on the assessment and collection of the whole or any  
 2 part of the deficiency.

3 ~~(e)~~ INCREASE OF DEFICIENCY AFTER NOTICE  
 4 MAILED.—That Board shall have jurisdiction to redetermine  
 5 the correct amount of the deficiency even if the amount so  
 6 redetermined is greater than the amount of the deficiency,  
 7 notice of which has been mailed to the person against whom  
 8 the deficiency is asserted; and to determine whether any  
 9 additional amount or addition to the tax should be assessed;  
 10 if claim therefor is asserted by the Commissioner at or  
 11 before the hearing or a rehearing.

12 ~~(f)~~ FURTHER DEFICIENCY LETTERS RESTRICTED.—  
 13 If the Commissioner has mailed to the person against whom  
 14 the deficiency is asserted notice of a deficiency as provided  
 15 in subsection ~~(a)~~ of this section, and such person files a  
 16 petition with the Board within the time prescribed in such  
 17 subsection, the Commissioner shall have no right to  
 18 determine any additional deficiency in respect of such person  
 19 in respect of the same beneficial interest, except in the case  
 20 of fraud, and except as provided in subsection ~~(e)~~ of this  
 21 section, relating to assertion of greater deficiencies before the  
 22 Board, or in section 245(c), relating to the making of  
 23 jeopardy assessments. If the person against whom the  
 24 deficiency is asserted is notified that, on account of a mathe-  
 25 matical error appearing upon the face of the return, an

1 amount of tax in excess of that shown upon the return is due;  
 2 and that an assessment of the tax has been or will be made  
 3 on the basis of what would have been the correct amount of  
 4 the tax but for the mathematical error; such notice shall not  
 5 be considered ~~(for the purposes of this subsection, or of sub-~~  
 6 ~~section (a) of this section, prohibiting assessment and col-~~  
 7 ~~lection until notice of deficiency has been mailed, or of sec-~~  
 8 ~~tion 228(e), prohibiting credits or refunds after petition to~~  
 9 ~~the Board of Tax Appeals)~~ as a notice of a deficiency; and  
 10 such person shall have no right to file a petition with the  
 11 Board based on such notice; nor shall such assessment or  
 12 collection be prohibited by the provisions of subsection ~~(a)~~  
 13 of this section.

14 ~~(g)~~ FINAL DECISIONS OF BOARD.—For the purposes  
 15 of this title the date on which a decision of the Board  
 16 becomes final shall be determined according to the provisions  
 17 of section 1005 of the Revenue Act of 1926.

18 ~~(h)~~ EXTENSION OF TIME FOR PAYMENT OF DEFICI-  
 19 CIENCIES.—Where it is shown to the satisfaction of the Com-  
 20 missioner that the payment of a deficiency upon the date  
 21 prescribed for the payment thereof will result in undue  
 22 hardship, the Commissioner, with the approval of the Secre-  
 23 tary ~~(except where the deficiency is due to negligence, to~~  
 24 ~~intentional disregard of rules and regulations, or to fraud~~  
 25 ~~with intent to evade tax)~~, may grant an extension for the

1 payment of such deficiency or any part thereof for a period  
2 not in excess of six years. If an extension is granted, the  
3 Commissioner may require the furnishing of a bond in such  
4 amount, not exceeding double the amount of the deficiency,  
5 and with such sureties as the Commissioner deems necessary;  
6 conditioned upon the payment of the deficiency in ac-  
7 cordance with the terms of the extension. In such case  
8 the running of the statute of limitations for assessment and  
9 collection shall be suspended for the period of any  
10 such extension; and there shall be collected, as a part  
11 of the tax, interest on the part of the deficiency the time  
12 for payment of which is so extended, at the rate of 6 per  
13 centum per annum for the period of the extension; and no  
14 other interest shall be collected on such part of the deficiency  
15 for such period. If the part of the deficiency the time for  
16 payment of which is so extended is not paid in accordance  
17 with the terms of the extension, there shall be collected, as  
18 a part of the tax, interest on such unpaid amount at the  
19 rate of 4 per centum a month for the period from the  
20 time fixed by the terms of the extension for its payment until  
21 it is paid; and no other interest shall be collected on such  
22 unpaid amount for such period.

23 (i) ADDRESS FOR NOTICE OF DEFICIENCY.—In the  
24 absence of notice to the Commissioner under section 227 (a)  
25 of the existence of a fiduciary relationship, notice of a defi-

1   ciency in respect of a tax imposed by this title, if mailed  
 2   to the person against whom the deficiency is asserted at his  
 3   last known address, shall be sufficient for the purposes of  
 4   this title even if such person is deceased, or is under a legal  
 5   disability.

## 6   **SEC. 215. JEOPARDY ASSESSMENTS**

7       (a) **AUTHORITY FOR MAKING.**—If the Commissioner  
 8   believes that the assessment or collection of a deficiency will  
 9   be jeopardized by delay, he shall immediately assess such  
 10   deficiency (together with all interest, additional amounts, or  
 11   additions to the tax provided for by law) and notice and  
 12   demand shall be made by the collector for the payment  
 13   thereof.

14       (b) **DEFICIENCY LETTERS.**—If the jeopardy assess-  
 15   ment is made before any notice in respect of the tax to  
 16   which the jeopardy assessment relates has been mailed under  
 17   section 214 (a), then the Commissioner shall mail a notice  
 18   under such subsection within 60 days after the making of  
 19   the assessment.

20       (c) **AMOUNT ASSESSABLE BEFORE DECISION OF**  
 21   **BOARD.**—The jeopardy assessment may be made in respect  
 22   of a deficiency greater or less than that notice of which  
 23   has been mailed to the person against whom the deficiency  
 24   is asserted, despite the provisions of section 214(f) pro-  
 25   hibiting the determination of additional deficiencies, and



1 whether or not he has theretofore filed a petition with the  
2 Board of Tax Appeals. The Commissioner shall notify  
3 the Board of the amount of such assessment, if the petition  
4 is filed with the Board before the making of the assessment  
5 or is subsequently filed, and the Board shall have jurisdiction  
6 to redetermine the entire amount of the deficiency and of all  
7 amounts assessed at the same time in connection therewith.

8 (d) AMOUNT ASSESSABLE AFTER DECISION OF  
9 BOARD.—If the jeopardy assessment is made after the  
10 decision of the Board is rendered such assessment may be  
11 made only in respect of the deficiency determined by the  
12 Board in its decision.

13 (e) EXPIRATION OF RIGHT TO ASSESS.—A jeopardy  
14 assessment may not be made after the decision of the Board  
15 has become final or after the filing of a petition for review  
16 of the decision of the Board.

17 (f) BOND TO STAY COLLECTION.—When a jeopardy  
18 assessment has been made the person against whom the  
19 deficiency is asserted, within ten days after notice and  
20 demand from the collector for the payment of the amount  
21 of the assessment, may obtain a stay of collection of the  
22 whole or any part of the amount of the assessment by  
23 filing with the collector a bond in such amount, not  
24 exceeding double the amount as to which the stay is de-  
25 sired, and with such sureties, as the collector deems neces-



1 say, conditioned upon the payment of so much of the  
 2 amount, the collection of which is stayed by the bond, as  
 3 is not abated by a decision of the Board which has become  
 4 final, together with interest thereon as provided in section  
 5 223 or 224(b) (4).

6 (g) SAME—FURTHER CONDITIONS.—If the bond is  
 7 given before the person against whom the deficiency  
 8 is asserted has filed his petition with the Board under  
 9 section 214(a), the bond shall contain a further con-  
 10 dition that if a petition is not filed within the period  
 11 provided in such subsection, then the amount the collection  
 12 of which is stayed by the bond will be paid on notice and  
 13 demand at any time after the expiration of such period,  
 14 together with interest thereon at the rate of 6 per centum  
 15 per annum from the date of the jeopardy notice and demand  
 16 to the date of notice and demand under this subsection.

17 (h) WAIVER OF STAY.—Upon the filing of the bond  
 18 the collection of so much of the amount assessed as  
 19 is covered by the bond shall be stayed. The person  
 20 against whom the deficiency is asserted shall have the  
 21 right to waive such stay at any time in respect of the  
 22 whole or any part of the amount covered by the bond, and  
 23 if as a result of such waiver any part of the amount covered  
 24 by the bond is paid, then the bond shall, at the request of the  
 25 person against whom the deficiency is asserted, be paid

1   portionately reduced. If the Board determines that the  
2   amount assessed is greater than the amount which should  
3   have been assessed, then when the decision of the Board  
4   is rendered the bond shall, at the request of the person  
5   against whom the deficiency is asserted, be proportionately  
6   reduced.

7       (i) COLLECTION OF UNPAID AMOUNTS.—When the  
8   petition has been filed with the Board and when the amount  
9   which should have been assessed has been determined by a  
10   decision of the Board which has become final, then any  
11   unpaid portion, the collection of which has been stayed by  
12   the bond, shall be collected as part of the tax upon notice  
13   and demand from the collector, and any remaining portion  
14   of the assessment shall be abated. If the amount already  
15   collected exceeds the amount determined as the amount  
16   which should have been assessed, such excess shall be cred-  
17   ited or refunded as provided in section 228, without the  
18   filing of claim therefor. If the amount determined as the  
19   amount which should have been assessed is greater than the  
20   amount actually assessed, then the difference shall be assessed  
21   and shall be collected as part of the tax upon notice and  
22   demand from the collector.

23   SEC. 216. CLAIMS IN ABATEMENT

24       No claim in abatement shall be filed in respect of any  
25   assessment in respect of any tax imposed by this title.

1    **SEC. 217. BANKRUPTCY AND RECEIVERSHIPS**

2        (a) **IMMEDIATE ASSESSMENT.**—Upon the adjudica-  
3    tion of bankruptcy of any person against whom the deficiency  
4    is asserted in any bankruptcy proceeding or the appointment  
5    of a receiver for any person against whom the deficiency is  
6    asserted in any receivership proceeding before any court of  
7    the United States or of any State or Territory or of the Dis-  
8    trict of Columbia, any deficiency (together with all interest,  
9    additional amounts, or additions to the tax provided for by  
10   law) determined by the Commissioner in respect of a tax  
11   imposed by this title upon such person shall, despite the  
12   restrictions imposed by section 214(a), upon assessments  
13   be immediately assessed if such deficiency has not theretofore  
14   been assessed in accordance with law. Claims for the  
15   deficiency and such interest, additional amounts and addi-  
16   tions to the tax may be presented, for adjudication in  
17   accordance with law, to the court before which the  
18   bankruptcy or receivership proceeding is pending, despite  
19   the pendency of proceedings for the redetermination of the  
20   deficiency in pursuance of a petition to the Board; but no  
21   petition for any such redetermination shall be filed with the  
22   Board after the adjudication of bankruptcy or the appoint-  
23   ment of the receiver.

24        (b) **UNPAID CLAIMS.**—Any portion of the claim  
25   allowed in such bankruptcy or receivership proceeding which

1 is unpaid shall be paid by the person against whom the  
 2 deficiency is asserted upon notice and demand from the col-  
 3 lector after the termination of such proceeding, and may  
 4 be collected by distraint or proceeding in court within  
 5 six years after termination of such proceeding. Exten-  
 6 sions of time for such payment may be had in the same  
 7 manner and subject to the same provisions and limitations  
 8 as are provided in sections 210, 214(h), and 224(b)-  
 9 ~~(3)~~ in the case of a deficiency in a tax imposed by this title.

10 **SEC. 218. PERIOD OF LIMITATION UPON ASSESSMENT**  
 11 **AND COLLECTION**

12 ~~(a)~~ **GENERAL RULE.**—Except as provided in subsec-  
 13 tions ~~(b)~~ and ~~(c)~~, the amount of taxes imposed by this  
 14 title shall be assessed within ten years after the return  
 15 was filed, and no proceeding in court without assessment  
 16 for the collection of such taxes shall be begun after the  
 17 expiration of such period.

18 ~~(b)~~ **SPECIAL RULE FOR CONTINGENT INTERESTS.**—  
 19 Except as provided in subsection ~~(c)~~, in the case of the  
 20 tax recomputed under section 206(c) ~~(4)~~, the tax shall be  
 21 assessed within five years after the return of the recomputed  
 22 tax under such section was filed, and no proceeding in court  
 23 without assessment for the collection of such tax shall be  
 24 begun after the expiration of such period.



~~(c)~~ EXCEPTIONS.—

~~(1)~~ FALSE RETURN OR NO RETURN.—In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

~~(2)~~ COLLECTION AFTER ASSESSMENT.—Where the assessment of any tax imposed by this title has been made within the statutory period of limitation properly applicable thereto, such tax may be collected by distraint or by a proceeding in court, but only if begun ~~(1)~~ within six years after the assessment of the tax, or ~~(2)~~ prior to the expiration of any period for collection agreed upon in writing by the Commissioner and the person against whom the assessment is made.

**SEC. 219. SUSPENSION OF RUNNING OF STATUTE**

The running of the statute of limitations provided in section 218 on the making of assessments and the beginning of distraint or a proceeding in court for collection, in respect of any deficiency, shall ~~(after the mailing of a notice under section 214 (a))~~ be suspended for the period during which the Commissioner is prohibited from making the assessment or beginning distraint or a proceeding in court ~~(and in any event, if a proceeding in respect of the deficiency is~~



1 placed on the docket of the Board, until the decision of the  
2 Board becomes final), and for sixty days thereafter.

3 **SEC. 220. ADDITIONS TO THE TAX IN CASE OF FAILURE**  
4 **TO FILE RETURN**

5 In case of any failure to make and file a return required  
6 by this title, within the time prescribed by law or prescribed  
7 by the Commissioner in pursuance of law, 25 per centum of  
8 the tax shall be added to the tax, except that when a return  
9 is filed after such time and it is shown that the failure to file  
10 it was due to reasonable cause and not due to willful neglect  
11 no such addition shall be made to the tax. The amount so  
12 added to any tax shall be collected at the same time and in  
13 the same manner and as a part of the tax unless the tax  
14 has been paid before the discovery of the neglect, in which  
15 case the amount so added shall be collected in the same man-  
16 ner as the tax. The amount added to the tax under this  
17 section shall be in lieu of the 25 per centum addition to the  
18 tax provided in section 3176 of the Revised Statutes, as  
19 amended.

20 **SEC. 221. ADDITIONS TO THE TAX IN CASE OF DEFICIENCY**

21 (a) **NEGLIGENCE.**—If any part of any deficiency is  
22 due to negligence, or intentional disregard of rules and  
23 regulations but without intent to defraud, 5 per centum of  
24 the total amount of the deficiency (in addition to such defi-  
25 ciency) shall be assessed, collected, and paid in the same

manner as if it were a deficiency, except that the provisions of section 222, relating to interest on deficiencies, shall not be applicable.

(b) FRAUD.—If any part of any deficiency is due to fraud with intent to evade tax, then 50 per centum of the total amount of the deficiency (in addition to such deficiency) shall be so assessed, collected, and paid, in lieu of the 50 per centum addition to the tax provided in section 2176 of the Revised Statutes, as amended.

#### SEC. 222. INTEREST ON DEFICIENCIES

Interest upon the amount determined as a deficiency shall be assessed at the same time as the deficiency, shall be paid upon notice and demand from the collector, and shall be collected as a part of the tax, at the rate of 6 per centum per annum from the due date of the tax to the date the deficiency is assessed, or, in the case of a waiver under section 214 (d), to the thirtieth day after the filing of such waiver or to the date the deficiency is assessed, whichever is the earlier.

#### SEC. 223. INTEREST ON JEOPARDY ASSESSMENTS

In the case of the amount collected under section 215 (f) there shall be collected at the same time as such amount, and as a part of the tax, interest at the rate of 6 per centum per annum upon such amount from the date of the jeopardy notice and demand to the date of notice

1 and demand under section 215 (i); or, in the case of the  
 2 amount collected in excess of the amount of the jeopardy  
 3 assessment, interest as provided in section 222.

4 SEC 224. ADDITIONS TO THE TAX IN CASE OF NONPAY-  
 5 MENT

6 (a) TAX SHOWN ON RETURN.—

7 (1) PAYMENT NOT EXTENDED: — Where the  
 8 amount determined by the person liable for the tax as  
 9 the tax imposed by this title, or any part of such  
 10 amount, is not paid on the due date of the tax, there  
 11 shall be collected as a part of the tax, interest upon such  
 12 unpaid amount at the rate of 1 per centum a month from  
 13 the due date until it is paid.

14 (2) PAYMENT EXTENDED: — Where an exten-  
 15 sion of time for payment of the amount so determined  
 16 as the tax has been granted, and the amount  
 17 the time for payment of which has been extended,  
 18 and the interest thereon determined under section  
 19 210 (g), is not paid in full prior to the expiration  
 20 of the period of the extension, then, in lieu of the inter-  
 21 est provided for in paragraph (1) of this subsection,  
 22 interest at the rate of 1 per centum a month shall be  
 23 collected on such unpaid amount from the date of the  
 24 expiration of the period of the extension until it is paid.

~~(b)~~ DEFICIENCY.—

~~(1)~~ PAYMENT NOT EXTENDED.—Where a deficiency, or any interest assessed in connection therewith under section 222, or any addition to the tax provided for in section 3176 of the Revised Statutes, is not paid in full within ten days from the date of notice and demand from the collector, there shall be collected as part of the tax, interest upon the unpaid amount at the rate of 1 per centum a month from the date of such notice and demand until it is paid.

~~(2)~~ FILING OF JEOPARDY BOND.—If a bond is filed, as provided in section 215, the provisions of paragraph ~~(1)~~ of this subsection shall not apply to the amount covered by the bond.

~~(3)~~ PAYMENT EXTENDED.—If the part of the deficiency the time for payment of which is extended as provided in section 214(h) is not paid in accordance with the terms of the extension, there shall be collected, as a part of the tax, interest on such unpaid amount at the rate of 1 per centum a month for the period from the time fixed by the terms of the extension for its payment until it is paid, and no other interest shall be collected on such unpaid amount for such period.

~~(4)~~ JEOPARDY ASSESSMENT—PAYMENT STAYED BY BOND.—If the amount included in the notice and

1 demand from the collector under section 215(i) is  
 2 not paid in full within ten days after such notice and  
 3 demand, then there shall be collected, as part of the  
 4 tax, interest upon the unpaid amount at the rate of  
 5 1 per centum a month from the date of such notice  
 6 and demand until it is paid.

7 ~~(5)~~ INTEREST IN CASE OF BANKRUPTCY AND  
 8 RECEIVERSHIPS.—If the unpaid portion of the claim  
 9 allowed in a bankruptcy or receivership proceeding,  
 10 as provided in section 217, is not paid in full within  
 11 10 days from the date of notice and demand from the  
 12 collector, then there shall be collected as a part of such  
 13 amount interest upon the unpaid portion thereof at the  
 14 rate of 1 per centum a month from the date of such  
 15 notice and demand until payment.

#### 16 SEC. 225. PENALTIES

17 ~~(a)~~ Any person required under this title to pay any  
 18 tax, or required by law or regulations made under authority  
 19 thereof to make a return, keep any records, or supply any  
 20 information, for the purposes of the computation, assessment,  
 21 or collection of any tax imposed by this title, who willfully  
 22 fails to pay such tax, make such return, keep such records,  
 23 or supply such information, at the time or times required by  
 24 law or regulations, shall, in addition to other penalties pro-  
 25 vided by law, be guilty of a misdemeanor and, upon con-



1    viction thereof, be fined not more than \$10,000, or impris-  
 2    oned for not more than one year, or both, together with  
 3    the costs of prosecution.

4        (b) Any person who willfully attempts in any manner  
 5    to evade or defeat any tax imposed by this title or the pay-  
 6    ment thereof, shall, in addition to other penalties provided  
 7    by law, be guilty of a felony and, on conviction thereof, be  
 8    fined not more than \$10,000, or imprisoned for not more than  
 9    five years, or both, together with the costs of prosecution.

10        (c) Whoever fails to comply with any duty imposed  
 11    upon him by section 208, or, having in his possession or  
 12    control any record, file, or paper, containing or supposed  
 13    to contain any information concerning the estate of the  
 14    decedent, or, having in his possession or control any prop-  
 15    erty transferred by reason of the death of the decedent,  
 16    fails to exhibit the same upon request to the Commissioner  
 17    or any collector or law officer of the United States or his  
 18    duly authorized deputy or agent, who desires to examine  
 19    the same in the performance of his duties under this title,  
 20    shall be liable to a penalty of not exceeding \$500, to be  
 21    recovered, with costs of suit, in a civil action in the name  
 22    of the United States.

23    **SEC. 226. TRANSFERRED ASSETS**

24        (a) **METHOD OF COLLECTION.**—The amounts of the  
 25    following liabilities shall, except as hereinafter in this sec-

tion provided, be assessed, collected, and paid in the same manner and subject to the same provisions and limitations as in the case of a deficiency in the tax imposed by this title (including the provisions in case of delinquency in payment after notice and demand, the provisions authorizing distraint and proceedings in court for collection, and the provisions prohibiting claims and suits for refunds):

(1) TRANSFEREES.—The liability, at law or in equity, of a transferee of property, in respect of the tax (including interest, additional amounts, and additions to the tax provided by law) imposed by this title:

(2) FIDUCIARIES.—The liability of a fiduciary under section 3467 of the Revised Statutes, as amended, in respect of the payment of any tax imposed by this title:

Any such liability may be either as to the amount of tax shown on the return or as to any deficiency in tax:

(b) PERIOD OF LIMITATIONS.—The period of limitation for assessment of any such liability of a transferee or fiduciary shall be as follows:

(1) Within one year after the expiration of the period of limitation for assessment against the person liable for the tax:

(2) If a court proceeding against the person liable for the tax for the collection of the tax has been begun

1        within the period provided in paragraph (1), then  
 2        within one year after return of execution in such  
 3        proceeding.

4        ~~(c)~~ PERIOD FOR ASSESSMENT AGAINST PERSON  
 5        LIABLE FOR TAX.—For the purposes of this section, if  
 6        the person liable for the tax is deceased, the period of limita-  
 7        tion for assessment against him shall be the period that  
 8        would be in effect had the death not occurred.

9        ~~(d)~~ SUSPENSION OF RUNNING OF STATUTE OF LIM-  
 10        ITATIONS.—The running of the statute of limitations upon  
 11        the assessment of the liability of a transferee or fiduciary  
 12        shall, after the mailing of the notice under section 214(a)-  
 13        to the transferee or fiduciary, be suspended for the period  
 14        during which the Commissioner is prohibited from making  
 15        the assessment in respect of the liability of the transferee or  
 16        fiduciary (and in any event, if a proceeding in respect of  
 17        the liability is placed on the docket of the Board, until the  
 18        decision of the Board becomes final), and for sixty days  
 19        thereafter.

20        ~~(e)~~ PROHIBITION OF SUITS TO RESTRAIN ENFORCE-  
 21        MENT OF LIABILITY OF TRANSFEREE OR FIDUCIARY.—No  
 22        suit shall be maintained in any court for the purpose of  
 23        restraining the assessment or collection of ~~(1)~~ the amount  
 24        of the liability, at law or in equity, of a transferee of prop-  
 25        erty in respect of any tax under this title, or ~~(2)~~ the amount

1 of the liability of a fiduciary under section 2467 of the  
2 Revised Statutes, as amended, in respect of any such tax.

3 (f) DEFINITION OF "TRANSFERREE".—As used in  
4 this section, the term "transferree" includes beneficiary,  
5 donee, heir, legatee, devisee, and distributee.

6 (g) ADDRESS FOR NOTICE OF LIABILITY.—In the  
7 absence of notice to the Commissioner under section 227(b)  
8 of the existence of a fiduciary relationship, notice of lia-  
9 bility enforceable under this section in respect of a tax  
10 imposed by this title, if mailed to the person subject to the  
11 liability at his last known address, shall be sufficient for the  
12 purposes of this title even if such person is deceased, or is  
13 under a legal disability, or, in the case of a corporation,  
14 has terminated its existence.

#### 15 SEC. 227. NOTICE OF FIDUCIARY RELATIONSHIP

16 (a) FIDUCIARY OF PERSON LIABLE FOR TAX.—Upon  
17 notice to the Commissioner that any person is acting in  
18 a fiduciary capacity such fiduciary shall assume the powers,  
19 rights, duties, and privileges of the person liable for the  
20 tax in respect of a tax imposed by this title (except as  
21 otherwise specifically provided and except that the tax  
22 shall be collected from the estate of the person liable for  
23 the tax), until notice is given that the fiduciary capacity  
24 has terminated.

~~(b)~~ FIDUCIARY OF TRANSFEREE.—Upon notice to the Commissioner that any person is acting in a fiduciary capacity for a person subject to the liability specified in section 226, the fiduciary shall assume, on behalf of such person, the powers, rights, duties, and privileges of such person under such section (except that the liability shall be collected from the estate of such person), until notice is given that the fiduciary capacity has terminated.

~~(c)~~ MANNER OF NOTICE.—Notice under subsection ~~(a)~~ or ~~(b)~~ shall be given in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

#### SEC. 228. REFUNDS AND CREDITS

~~(a)~~ AUTHORIZATION.—Where there has been an overpayment of any tax imposed by this title, the amount of such overpayment shall be credited against any tax imposed by this title then due from the taxpayer, and any balance shall be refunded immediately to the taxpayer.

~~(b)~~ LIMITATION ON ALLOWANCE.—

~~(1)~~ PERIOD OF LIMITATION.—No such credit or refund shall be allowed or made after three years from the time the tax was paid, unless before the expiration of such period a claim therefor is filed by the taxpayer.

~~(2)~~ LIMIT ON AMOUNT OF CREDIT OR REFUND.—

The amount of the credit or refund shall not exceed



1 the portion of the tax paid during the three years imme-  
2 diately preceding the filing of the claim, or if no claim  
3 was filed, then during the three years immediately pre-  
4 ceeding the allowance of the credit or refund.

5 ~~(c)~~ EFFECT OF PETITION TO BOARD.—If the Com-  
6 missioner has mailed to the taxpayer a notice of deficiency  
7 under section 214(a) and if the taxpayer files a petition  
8 with the Board of Tax Appeals within the time prescribed  
9 in such subsection, no credit or refund in respect of the tax  
10 shall be allowed or made and no suit by the taxpayer for  
11 the recovery of any part of such tax shall be instituted in  
12 any court except—

13 ~~(1)~~ As to overpayments determined by a decision  
14 of the Board which has become final; and

15 ~~(2)~~ As to any amount collected in excess of an  
16 amount computed in accordance with the decision of  
17 the Board which has become final; and

18 ~~(3)~~ As to any amount collected after the period  
19 of limitation upon the beginning of distraint or a pro-  
20 ceeding in court for collection has expired; but in any  
21 such claim for credit or refund or in any such suit  
22 for refund the decision of the Board which has become  
23 final, as to whether such period has expired before  
24 the notice of deficiency was mailed, shall be conclusive.

(d) OVERPAYMENT FOUND BY BOARD.—If the Board finds that there is no deficiency and further finds that the taxpayer has made an overpayment of tax, the Board shall have jurisdiction to determine the amount of such overpayment, and such amount shall, when the decision of the Board has become final, be credited or refunded to the taxpayer. No such credit or refund shall be made of any portion of the tax unless the Board determines as part of its decision that it was paid within three years before the filing of the claim or the filing of the petition, whichever is earlier.

#### SEC. 229. LAWS MADE APPLICABLE

All administrative, special, or stamp provisions of law, including the law relating to the assessment of taxes, so far as applicable, are hereby extended to and made a part of this title.

#### SEC. 230. RULES AND REGULATIONS

The Commissioner, with the approval of the Secretary, shall prescribe and publish all needful rules and regulations for the enforcement of this title.

### TITLE II—AMENDMENTS TO ESTATE TAX

#### SEC. 201. ESTATE TAX RATES

(a) Section 401(b) of the Revenue Act of 1932, as amended, is amended to read as follows:

“(b) The tentative tax referred to in subsection (a) (1) of this section shall equal the sum of the following percentages of the value of the net estate:

1       *“Upon net estates not in excess of \$10,000, 2 per*  
 2 *centum.*

3       *“\$200 upon net estates of \$10,000; and upon net*  
 4 *estates in excess of \$10,000 and not in excess of \$20,000,*  
 5 *4 per centum in addition of such excess.*

6       *“\$600 upon net estates of \$20,000; and upon net*  
 7 *estates in excess of \$20,000 and not in excess of \$30,000,*  
 8 *6 per centum in addition of such excess.*

9       *“\$1,200 upon net estates of \$30,000; and upon net*  
 10 *estates in excess of \$30,000 and not in excess of \$40,000,*  
 11 *8 per centum in addition of such excess.*

12       *“\$2,000 upon net estates of \$40,000; and upon net*  
 13 *estates in excess of \$40,000 and not in excess of \$50,000,*  
 14 *10 per centum in addition of such excess.*

15       *“\$3,000 upon net estates of \$50,000; and upon net*  
 16 *estates in excess of \$50,000 and not in excess of \$70,000,*  
 17 *12 per centum in addition of such excess.*

18       *“\$5,400 upon net estates of \$70,000; and upon net*  
 19 *estates in excess of \$70,000 and not in excess of \$100,000,*  
 20 *14 per centum in addition of such excess.*

21       *“\$9,600 upon net estates of \$100,000; and upon net*  
 22 *estates in excess of \$100,000 and not in excess of \$200,000,*  
 23 *17 per centum in addition of such excess.*

24       *“\$26,600 upon net estates of \$200,000; and upon net*  
 25 *estates in excess of \$200,000 and not in excess of \$400,000,*  
 26 *20 per centum in addition of such excess.*

1       “\$66,600 upon net estates of \$400,000; and upon  
2 net estates in excess of \$400,000 and not in excess of  
3 \$600,000, 23 per centum in addition of such excess.

4       “\$112,600 upon net estates of \$600,000; and upon net  
5 estates in excess of \$600,000 and not in excess of \$800,000,  
6 26 per centum in addition of such excess.

7       “\$164,600 upon net estates of \$800,000; and upon net  
8 estates in excess of \$800,000 and not in excess of \$1,000,000,  
9 29 per centum in addition of such excess.

10       “\$222,600 upon net estates of \$1,000,000; and upon  
11 net estates in excess of \$1,000,000 and not in excess of  
12 \$1,500,000, 32 per centum in addition of such excess.

13       “\$382,600 upon net estates of \$1,500,000; and upon  
14 net estates in excess of \$1,500,000 and not in excess of  
15 \$2,000,000, 35 per centum in addition of such excess.

16       “\$557,600 upon net estates of \$2,000,000; and upon  
17 net estates in excess of \$2,000,000 and not in excess of  
18 \$2,500,000, 38 per centum in addition of such excess.

19       “\$747,600 upon net estates of \$2,500,000; and upon  
20 net estates in excess of \$2,500,000 and not in excess of  
21 \$3,000,000, 41 per centum in addition of such excess.

22       “\$952,600 upon net estates of \$3,000,000; and upon  
23 net estates in excess of \$3,500,000 and not in excess of  
24 \$3,500,000, 44 per centum in addition of such excess.

1       “\$1,172,600 upon net estates of \$3,500,000; and upon  
2 net estates in excess of \$3,500,000 and not in excess of  
3 \$4,000,000, 47 per centum in addition of such excess.

4       “\$1,407,600 upon net estates of \$4,000,000; and upon  
5 net estates in excess of \$4,000,000 and not in excess of  
6 \$4,500,000, 50 per centum in addition of such excess.

7       “\$1,657,600 upon net estates of \$4,500,000; and upon  
8 net estates in excess of \$4,500,000 and not in excess of  
9 \$5,000,000, 53 per centum in addition of such excess.

10       “\$1,922,600 upon net estates of \$5,000,000; and upon  
11 net estates in excess of \$5,000,000 and not in excess of  
12 \$6,000,000, 56 per centum in addition of such excess.

13       “\$2,482,600 upon net estates of \$6,000,000; and upon  
14 net estates in excess of \$6,000,000 and not in excess of  
15 \$7,000,000, 59 per centum in addition of such excess.

16       “\$3,072,600 upon net estates of \$7,000,000; and upon  
17 net estates in excess of \$7,000,000 and not in excess of  
18 \$8,000,000, 61 per centum in addition of such excess.

19       “\$3,682,600 upon net estates of \$8,000,000; and upon  
20 net estates in excess of \$8,000,000 and not in excess of  
21 \$9,000,000, 63 per centum in addition of such excess.

22       “\$4,312,600 upon net estates of \$9,000,000; and upon  
23 net estates in excess of \$9,000,000 and not in excess of  
24 \$10,000,000, 65 per centum in addition of such excess.



1       “\$4,962,600 upon net estates of \$10,000,000; and  
2 upon net estates in excess of \$10,000,000 and not in excess  
3 of \$20,000,000, 67 per centum in addition of such excess.

4       “\$11,662,600 upon net estates of \$20,000,000; and  
5 upon net estates in excess of \$20,000,000 and not in excess  
6 of \$50,000,000, 69 per centum in addition of such excess.

7       “\$32,362,600 upon net estates of \$50,000,000; and  
8 upon net estates in excess of \$50,000,000, 70 per centum  
9 in addition of such excess.”

10       (b) Section 401(c) of the Revenue Act of 1932 (re-  
11 lating to the exemption for the purposes of the additional  
12 estate tax) is amended by striking out “\$50,000” and  
13 inserting in lieu thereof “\$40,000”.

14       (c) Section 403 of the Revenue Act of 1932, as  
15 amended, (relating to the requirement for filing return  
16 under such additional estate tax) is amended by striking  
17 out “\$50,000” and inserting in lieu thereof “\$40,000”.

18       (d) The amendments made by this section shall be  
19 effective only with respect to transfers of estates of decedents  
20 dying after the date of the enactment of this Act.

21   SEC. 202. ESTATE TAX—DEDUCTION FOR SHRINKAGE IN  
22                   VALUE

23       (a) Section 303(a) of the Revenue Act of 1926, as  
24 amended, is amended by striking out the word “and” at  
25 the end of paragraph (3), and by striking out the period

1 at the end of paragraph (4) and inserting in lieu thereof a  
 2 semicolon and the following: " and

3 " (5) The net shrinkage in value of assets arising solely  
 4 from the difference in the aggregate value of assets forming  
 5 part of the decedent's gross estate on the date of death and  
 6 the aggregate value of such assets one year after the dece-  
 7 dent's death (or date of sale or exchange by the executor  
 8 in the case of assets sold or exchanged during such period),  
 9 but only to the extent that such shrinkage is not covered by  
 10 any other deduction under this subdivision."

11 (b) Section 303(b) of such Act, as amended, is  
 12 amended by striking out the word "and" at the end of  
 13 paragraph (2), and by striking out the period at the end  
 14 of paragraph (3) and inserting in lieu thereof a semicolon  
 15 and the following: " and

16 " (4) The net shrinkage in value of assets arising  
 17 solely from the difference in the aggregate value of assets  
 18 situated in the United States forming part of the decedent's  
 19 gross estate on the date of death and the aggregate value of  
 20 such assets one year after the decedent's death (or date of  
 21 sale or exchange by the executor in the case of assets sold or  
 22 exchanged during such period), but only to the extent that  
 23 such shrinkage is not covered by any other deduction under  
 24 this subdivision."

(c) *The amendments made by this section shall be effective only with respect to transfers of estates of decedents dying after the date of the enactment of this Act.*

**SEC. 203. ESTATE TAX—DUE DATE**

(a) *Section 305(a) of the Revenue Act of 1926 is amended to read as follows:*

*“(a) The tax imposed by this title shall be due and payable fifteen months after the decedent’s death, and shall be paid by the executor to the collector.”*

(b) *Section 305(c) of the Revenue Act of 1926 is amended to read as follows:*

*“(c) If the time for the payment is thus extended there shall be collected, as a part of such amount, interest thereon at the rate of 6 per centum per annum from the expiration of three months after the due date of the tax to the expiration of the period of the extension.”*

(c) *The amendments made by this section shall be effective only with respect to transfers of estates of decedents dying after the date of the enactment of this Act.*

**TITLE III—GIFT TAX ON DONEES**

**SEC. 301. IMPOSITION OF TAX**

~~(a) For the calendar year 1935 and each calendar year thereafter there is hereby imposed (in addition to the gift tax on donors imposed by Title III of the Revenue Act of 1932, as amended) a tax, computed as provided in~~

1 section 302, upon the right to receive or acquire any prop-  
 2 erty, wherever situated, transferred during such calendar  
 3 year by any individual, resident or nonresident, by gift to  
 4 any donee.

5 (b) The tax shall apply whether the transfer is in  
 6 trust or otherwise and whether the gift is direct or indirect;  
 7 but, in the case of a nonresident donor not a citizen  
 8 of the United States, shall apply to a transfer only if the  
 9 property is situated within the United States. The tax  
 10 shall not apply to a transfer made on or before the date of  
 11 the enactment of this Act.

## 12 SEC. 302. COMPUTATION OF TAX

13 (a) GENERAL RULE.—The tax of each donee with  
 14 respect to each donor for each calendar year shall be an  
 15 amount equal to the excess of—

16 (1) a tax, computed in accordance with the Rate  
 17 Schedule hereinafter set forth, on the aggregate sum  
 18 of the net gifts from such donor for such calendar year  
 19 and for each of the preceding calendar years, over

20 (2) a tax, computed in accordance with the Rate  
 21 Schedule, on the aggregate sum of the net gifts from  
 22 such donor for each of the preceding calendar years.

## 23 GIFT TAX RATE SCHEDULE

24 Upon net gifts not in excess of \$10,000, 3 per centum.

1       \$300 upon net gifts of \$10,000; and upon net gifts  
2 in excess of \$10,000 and not in excess of \$20,000, 6 per  
3 centum in addition of such excess.

4       \$900 upon net gifts of \$20,000; and upon net gifts in  
5 excess of \$20,000 and not in excess of \$30,000, 9 per  
6 centum in addition of such excess.

7       \$1,800 upon net gifts of \$30,000; and upon net gifts  
8 in excess of \$30,000 and not in excess of \$50,000, 12 per  
9 centum in addition of such excess.

10       \$4,200 upon net gifts of \$50,000; and upon net gifts  
11 in excess of \$50,000 and not in excess of \$100,000, 15 per  
12 centum in addition of such excess.

13       \$11,700 upon net gifts of \$100,000; and upon net gifts  
14 in excess of \$100,000 and not in excess of \$150,000, 18  
15 per centum in addition of such excess.

16       \$20,700 upon net gifts of \$150,000; and upon net gifts  
17 in excess of \$150,000 and not in excess of \$250,000, 21 per  
18 centum in addition of such excess.

19       \$41,700 upon net gifts of \$250,000; and upon net  
20 gifts in excess of \$250,000 and not in excess of \$400,000,  
21 24 per centum in addition of such excess.

22       \$77,700 upon net gifts of \$400,000; and upon net  
23 gifts in excess of \$400,000 and not in excess of \$700,000,  
24 27 per centum in addition of such excess.



1       \$158,700 upon net gifts of \$700,000; and upon net  
2       gifts in excess of \$700,000 and not in excess of \$1,000,000;  
3       30 per centum in addition of such excess.

4       \$248,700 upon net gifts of \$1,000,000; and upon net  
5       gifts in excess of \$1,000,000 and not in excess of \$1,500,000;  
6       33 per centum in addition of such excess.

7       \$413,700 upon net gifts of \$1,500,000; and upon net  
8       gifts in excess of \$1,500,000 and not in excess of \$2,000,000;  
9       36 per centum in addition of such excess.

10       \$593,700 upon net gifts of \$2,000,000; and upon net  
11       gifts in excess of \$2,000,000 and not in excess of \$3,000,000;  
12       39 per centum in addition of such excess.

13       \$983,700 upon net gifts of \$3,000,000; and upon net  
14       gifts in excess of \$3,000,000 and not in excess of \$4,000,000;  
15       42 per centum in addition of such excess.

16       \$1,403,700 upon net gifts of \$4,000,000; and upon net  
17       gifts in excess of \$4,000,000 and not in excess of \$5,000,000;  
18       45 per centum in addition of such excess.

19       \$1,853,700 upon net gifts of \$5,000,000; and upon net  
20       gifts in excess of \$5,000,000 and not in excess of \$6,000,000;  
21       48 per centum in addition of such excess.

22       \$2,333,700 upon net gifts of \$6,000,000; and upon net  
23       gifts in excess of \$6,000,000 and not in excess of \$8,000,000;  
24       51 per centum in addition of such excess.

1       \$3,353,700 upon net gifts of \$8,000,000; and upon net  
2 gifts in excess of \$8,000,000 and not in excess of \$10,000,-  
3 000, 54 per centum in addition of such excess.

4       \$4,433,700 upon net gifts of \$10,000,000; and upon  
5 net gifts in excess of \$10,000,000, 57 per centum in addition  
6 of such excess.

7       (b) CORPORATIONS FOR AVOIDING TAX.—If any  
8 corporation is formed or availed of for the purpose of  
9 avoiding the tax imposed by this title, or any part thereof,  
10 the rate of tax on such corporation shall be 70 per centum  
11 of the net gifts for the calendar year in lieu of the rate  
12 provided in subsection (a).

13       (c) FAMILY CORPORATIONS.—If an interest or  
14 control, direct or indirect, of 50 per centum or more in any  
15 corporation exists in any one or more of the persons bearing  
16 the relationship to the donor specified in section 305 as  
17 entitling them to a specific exemption of \$50,000, the rate of  
18 tax on such corporation shall be 70 per centum of the net  
19 gifts for the calendar year in lieu of the rate provided in  
20 subsection (a); unless such corporation establishes to the  
21 satisfaction of the Commissioner that it has not been formed  
22 or availed of for the purpose of avoiding the tax imposed by  
23 this title, or any part thereof.

1    **SEC. 303. TRANSFER FOR LESS THAN ADEQUATE AND**  
 2                    **FULL CONSIDERATION**

3            (a) Where property is transferred for less than an  
 4    adequate and full consideration in money or money's worth,  
 5    then the amount by which the value of the property  
 6    exceeded the value of the consideration shall, for the purpose  
 7    of the tax imposed by this title, be deemed a gift, and shall  
 8    be included in computing the amount of gifts made during  
 9    the calendar year.—

10          (b) For the purposes of this title, a relinquishment  
 11    or promised relinquishment of dower, curtesy, or of a  
 12    statutory estate in lieu of dower or curtesy, or of other  
 13    marital rights in the donor's property or estate shall not  
 14    be considered to any extent a consideration in money or  
 15    money's worth.

16    **SEC. 304. NET GIFTS**

17          (a) **GENERAL DEFINITION.**—The term "net gifts"  
 18    means the total amount of gifts made by each donor to each  
 19    donee during the calendar year, less the exemption provided  
 20    in section 305.

21          (b) **GIFTS LESS THAN \$5,000.**—In the case of gifts  
 22    (other than of future interests in property) made to any  
 23    donee by any donor during the calendar year, the first  
 24    \$5,000 of such gifts to such donee from such donor shall  
 25    not, for the purposes of subsection (a), be included in the  
 26    total amount of gifts made during such year.

1    **SEC. 305. EXEMPTION**

2            In computing net gifts from any donor to any donee  
 3 there shall be allowed a total specific exemption of \$10,000;  
 4 except that the total specific exemption shall be \$50,000 in  
 5 the case of a spouse, child (including a child legally adopted  
 6 before it attained the age of twenty-one), father, mother,  
 7 brother or sister (including a brother or sister of the half  
 8 blood), grandchild, grandfather, or grandmother. The spe-  
 9 cific exemption allowed each donee shall be applied in com-  
 10 puting gifts to him for the first calendar year with respect to  
 11 which net gifts to him are computed and so on for successive  
 12 calendar years until the exemption is exhausted.

13    **SEC. 306. CHARITABLE, AND SO FORTH, GIFTS**

14            There shall be exempt from the tax imposed by this  
 15 title gifts to or for the use of—

16            ~~(1)~~ the United States, any State, Territory, or  
 17 any political subdivision thereof, or the District of  
 18 Columbia, for exclusively public purposes;

19            ~~(2)~~ a domestic corporation organized and operated  
 20 exclusively for religious, charitable, scientific, literary,  
 21 or educational purposes, including the encouragement of  
 22 art and the prevention of cruelty to children or animals;  
 23 no part of the net earnings of which inures to the bene-  
 24 fit of any private shareholder or individual;

25            ~~(3)~~ a trust, or community chest, fund, or founda-  
 26 tion, organized and operated exclusively for religious,

1 charitable, scientific, literary, or educational purposes;  
 2 including the encouragement of art and the prevention  
 3 of cruelty to children or animals; but only if such gifts  
 4 are to be used within the United States exclusively for  
 5 such purposes;

6 (4) a fraternal society, order, or association;  
 7 operating under the lodge system, but only if such  
 8 gifts are to be used within the United States exclusively  
 9 for religious, charitable, scientific, literary, or educa-  
 10 tional purposes, including the encouragement of art  
 11 and the prevention of cruelty to children or animals;

12 (5) posts or organizations of war veterans, or  
 13 auxiliary units or societies of any such posts or organi-  
 14 zations, if such posts, organizations, units, or societies  
 15 are organized in the United States or any of its posses-  
 16 sions, and if no part of their net earnings inures to the  
 17 benefit of any private shareholder or individual;

18 (6) the special fund for vocational rehabilitation  
 19 authorized by section 12 of the World War Veterans'  
 20 Act, 1924.

21 **SEC. 307. GIFTS MADE IN PROPERTY AND FUTURE**  
 22 **INTERESTS**

23 (a) **GIFT IN PROPERTY.**—If the gift is made in  
 24 property, the value thereof at the date of the gift shall be  
 25 considered the amount of the gift.



(b) FUTURE INTERESTS, AND SO FORTH.—

(1) VALUATION.—The value of any beneficial interest dependent upon any life or lives shall, so far as possible, be determined in accordance with accepted actuarial principles, and based upon such tables of mortality as the Commissioner shall from time to time adopt, and upon an interest rate of 4 per centum per annum compounded annually, or, if the beneficial interest is governed by a contract, then upon such interest rate (determined in such manner as the Commissioner shall by regulations prescribe) as is properly applicable in valuing such beneficial interest. The value of the beneficial interest remaining after such temporary beneficial interest shall be determined by deducting the computed value of such temporary interest from the value of the entire property in which such remaining interest exists.

(2) ESTATES WHICH MAY BE DIVESTED.—

Where an estate or interest may be divested by the act or omission of the donee (whether alone or in conjunction with any person), the tax shall be computed as if there were no possibility of divesting.

SEC. 308. RETURNS

(a) REQUIREMENT.—Any individual who within the calendar year 1935 or any calendar year thereafter makes

1 any transfers by gift (except those which under section 304  
 2 are not to be included in the total amount of gifts for such  
 3 year) shall make a return under oath in duplicate. The  
 4 return shall set forth (1) each gift made during the calendar  
 5 year which under section 304 is to be included in com-  
 6 puting net gifts; (2) the exemption claimed and allowable  
 7 under section 305; (3) the net gifts for each of the preceding  
 8 calendar years; and (4) such further information as may be  
 9 required by regulations made pursuant to law.

10 (b) TIME AND PLACE FOR FILING.—The return shall  
 11 be filed on or before the 15th day of March following the  
 12 close of the calendar year with the collector for the district in  
 13 which is located the legal residence of the donor, or if he  
 14 has no legal residence in the United States, then (unless the  
 15 Commissioner designates another district) with the collector  
 16 at Baltimore, Maryland.

#### 17 SEC. 309. RECORDS AND SPECIAL RETURNS

18 (a) IN GENERAL.—Every person liable to any tax  
 19 imposed by this title or for the collection thereof, or having  
 20 the title, possession, custody, or control of any property  
 21 transferred by gift, shall keep such records, render under  
 22 oath such statements, make such returns, and comply with  
 23 such rules and regulations, as the Commissioner, with the  
 24 approval of the Secretary, may from time to time prescribe.

(b) TO DETERMINE LIABILITY TO TAX.—When ever in the judgment of the Commissioner necessary he may require any person, by notice served upon him, to make a return, render under oath such statements, and keep such records, as the Commissioner deems sufficient to show whether or not such person is liable to tax under this title.

#### SEC. 310. PAYMENT OF TAX

(a) WITHHOLDING AND PAYMENT BY DONOR.—At the time of making each gift subject to tax under this title, the donor shall withhold from such gift, or collect from the donee, the amount of tax on such gift, computed, in accordance with such regulations as the Commissioner, with the approval of the Secretary, shall prescribe, as if such gift were the last gift made by the donor to the donee during the calendar year. The donor shall be liable for the tax required to be so withheld or collected and such tax shall be paid by the donor to the collector on or before the fifteenth day of March following the close of the calendar year.

(b) LIABILITY OF DONEE.—If the tax is not paid when due, the donee shall be personally liable for such tax.

(c) TAX COLLECTIBLE OUT OF PROPERTY.—All taxes under this title may be collected out of the real or personal property in which the interests of the donee exist.

1       (d) **EXTENSION OF TIME FOR PAYMENT.**—At the  
 2 request of the donor, the Commissioner may extend the  
 3 time for payment of the amount determined as the tax by  
 4 the donor, for a period not to exceed six months from the  
 5 date prescribed for the payment of the tax. In such case  
 6 the amount in respect of which the extension is granted  
 7 shall be paid on or before the date of the expiration of the  
 8 period of the extension.

9       (e) **VOLUNTARY ADVANCE PAYMENT.**—A tax im-  
 10 posed by this title, may be paid, at the election of the donor,  
 11 prior to the date prescribed for its payment.

12       (f) **FRACTIONAL PARTS OF CENT.**—In the payment  
 13 of any tax under this title a fractional part of a cent shall be  
 14 disregarded unless it amounts to one-half cent or more, in  
 15 which case it shall be increased to 1 cent.

16       (g) **RECEIPTS.**—The collector to whom any payment  
 17 of any gift tax is made shall, upon request, grant to the per-  
 18 son making such payment a receipt therefor.

19       **SEC. 311. LIEN FOR TAX**

20       The tax imposed by this title with respect to any donee  
 21 for any calendar year shall be a lien upon all property with  
 22 respect to which such tax is imposed, for ten years from  
 23 the time the gifts are made. If the Commissioner is satis-  
 24 fied that the tax liability has been fully discharged or pro-  
 25 vided for, he may, under regulations prescribed by him

with the approval of the Secretary, issue his certificate, releasing any or all of the property from the lien herein imposed.

#### SEC. 312. EXAMINATION OF RETURN AND DETERMINATION OF TAX

As soon as practicable after the return is filed the Commissioner shall examine it and shall determine the correct amount of the tax.

#### SEC. 313. DEFINITION OF DEFICIENCY

As used in this title in respect of the tax imposed by this title the term "deficiency" means—

(1) The amount by which the tax imposed by this title exceeds the amount shown as the tax upon the return; but the amount so shown shall first be increased by the amounts previously assessed (or collected without assessment) as a deficiency, and decreased by the amounts previously abated, refunded, or otherwise repaid in respect of such tax; or

(2) If no amount is shown as the tax upon the return, or if no return is made, then the amount by which the tax exceeds the amounts previously assessed (or collected without assessment) as a deficiency; but such amounts previously assessed, or collected without assessment, shall first be decreased by the amounts previously abated, refunded, or otherwise repaid in respect of such tax.



1 SEC. 314. ASSESSMENT AND COLLECTION OF DEFICIEN-  
2 CIES

3 (a) PETITION TO BOARD OF TAX APPEALS.—If the  
4 Commissioner determines that there is a deficiency in respect  
5 of the tax imposed by this title, the Commissioner is author-  
6 ized to send notice of such deficiency by registered mail to  
7 the person against whom the deficiency is asserted. Within  
8 ninety days after such notice is mailed (not counting Sunday  
9 or a legal holiday in the District of Columbia as the ninetieth  
10 day), such person may file a petition with the Board of  
11 Tax Appeals for a redetermination of the deficiency. No  
12 assessment of a deficiency in respect of the tax imposed  
13 by this title and no distraint or proceeding in court for  
14 its collection shall be made, begun, or prosecuted until  
15 such notice has been mailed to the person against whom  
16 the deficiency is asserted, nor until the expiration of such  
17 90-day period, nor, if a petition has been filed with the  
18 Board, until the decision of the Board has become final.  
19 Notwithstanding the provisions of section 3224 of the  
20 Revised Statutes the making of such assessment or the  
21 beginning of such proceeding or distraint during the time  
22 such prohibition is in force may be enjoined by a proceeding  
23 in the proper court.

24 For exceptions to the restrictions imposed by this  
25 subsection see—

~~(1)~~ Subsection ~~(d)~~ of this section, relating to  
waivers;

~~(2)~~ Subsection ~~(f)~~ of this section, relating to  
notifications of mathematical errors appearing upon  
the face of the return;

~~(3)~~ Section 315, relating to jeopardy assess-  
ments;

~~(4)~~ Section 317, relating to bankruptcy and  
receiverships; and

~~(5)~~ Section 1001 of the Revenue Act of 1926,  
as amended, relating to assessment or collection of the  
amount of the deficiency determined by the Board  
pending court review.

~~(b)~~ COLLECTION OF DEFICIENCY FOUND BY  
BOARD.—If the person against whom the deficiency is as-  
serted files a petition with the Board, the entire amount  
redetermined as the deficiency by the decision of the Board  
which has become final shall be assessed and shall be paid  
upon notice and demand from the collector. No part of  
the amount determined as a deficiency by the Commissioner  
but disallowed as such by the decision of the Board which  
has become final shall be assessed or be collected by distraint  
or by proceeding in court with or without assessment.

~~(c)~~ FAILURE TO FILE PETITION.—If the person  
against whom the deficiency is asserted does not file a

1 petition with the Board within the time prescribed in sub-  
 2 section (a) the deficiency, notice of which has been mailed  
 3 to him, shall be assessed, and shall be paid upon notice and  
 4 demand from the collector.

5 (d) **WAIVER OF RESTRICTIONS.**—The person against  
 6 whom the deficiency is asserted shall at any time have  
 7 the right, by a signed notice in writing filed with the  
 8 Commissioner, to waive the restrictions provided in sub-  
 9 section (a) on the assessment and collection of the whole  
 10 or any part of the deficiency.

11 (e) **INCREASE OF DEFICIENCY AFTER NOTICE**  
 12 **MAILED.**—The Board shall have jurisdiction to redetermine  
 13 the correct amount of the deficiency even if the amount so  
 14 redetermined is greater than the amount of the deficiency,  
 15 notice of which has been mailed to the person against whom  
 16 the deficiency is asserted, and to determine whether any  
 17 additional amount or addition to the tax should be assessed,  
 18 if claim therefor is asserted by the Commissioner at or  
 19 before the hearing or a rehearing.

20 (f) **FURTHER DEFICIENCY LETTERS RESTRICTED.**—  
 21 If the Commissioner has mailed to the person against whom  
 22 the deficiency is asserted notice of a deficiency as provided in  
 23 subsection (a) of this section, and such person files a petition  
 24 with the Board within the time prescribed in such subsection,  
 25 the Commissioner shall have no right to determine any addi-

1 tional deficiency in respect of such person in respect of the  
 2 same calendar year, except in the case of fraud, and except  
 3 as provided in subsection ~~(c)~~ of this section, relating to  
 4 assertion of greater deficiencies before the Board, or in sec-  
 5 tion 315~~(c)~~, relating to the making of jeopardy assessments.  
 6 If the person against whom the deficiency is asserted is  
 7 notified that, on account of a mathematical error appearing  
 8 upon the face of the return, an amount of tax in excess of  
 9 that shown upon the return is due, and that an assessment  
 10 of the tax has been or will be made on the basis of what  
 11 would have been the correct amount of tax but for the mathe-  
 12 matical error, such notice shall not be considered ~~(for the~~  
 13 ~~purposes of this subsection, or of subsection (a) of this~~  
 14 ~~section, prohibiting assessment and collection until notice~~  
 15 ~~of deficiency has been mailed, or of section 329(c), pro~~  
 16 ~~hibiting credits or refunds after petition to the Board of~~  
 17 ~~Tax Appeals)~~ as a notice of a deficiency, and such person  
 18 shall have no right to file a petition with the Board based  
 19 on such notice, nor shall such assessment or collection be  
 20 prohibited by the provisions of subsection ~~(a)~~ of this section.

21 ~~(g) JURISDICTION OVER OTHER CALENDAR YEARS.—~~  
 22 The Board in redetermining a deficiency in respect of any  
 23 calendar year shall consider such facts with relation to the  
 24 taxes for other calendar years as may be necessary correctly  
 25 to redetermine the amount of such deficiency, but in so



1 doing shall have no jurisdiction to determine whether or  
 2 not the tax for any other calendar year has been overpaid  
 3 or underpaid.

4 (h) FINAL DECISIONS OF BOARD.—For the purposes  
 5 of this title, the date on which a decision of the Board  
 6 becomes final shall be determined according to the provisions  
 7 of section 1005 of the Revenue Act of 1926.

8 (i) EXTENSION OF TIME FOR PAYMENT OF DE-  
 9 FICIENCIES.—Where it is shown to the satisfaction of the  
 10 Commissioner that the payment of a deficiency upon the  
 11 date prescribed for the payment thereof will result in  
 12 undue hardship the Commissioner, with the approval  
 13 of the Secretary (except where the deficiency is due to  
 14 negligence, to intentional disregard of rules and regulations,  
 15 or to fraud with intent to evade tax), may grant an exten-  
 16 sion for the payment of such deficiency or any part thereof  
 17 for a period not in excess of eighteen months, and, in excep-  
 18 tional cases, for a further period not in excess of twelve  
 19 months. If an extension is granted, the Commissioner may  
 20 require the furnishing of a bond in such amount, not  
 21 exceeding double the amount of the deficiency, and with  
 22 such sureties, as the Commissioner deems necessary, con-  
 23 ditioned upon the payment of the deficiency in accordance  
 24 with the terms of the extension.



~~(j)~~ ADDRESS FOR NOTICE OF DEFICIENCY.—In the absence of notice to the Commissioner under section 328(a) of the existence of a fiduciary relationship, notice of a deficiency in respect of a tax imposed by this title, if mailed to the person against whom the deficiency is asserted at his last known address, shall be sufficient for the purposes of this title even if such person is deceased, or is under a legal disability.

#### SEC. 315. JEOPARDY ASSESSMENTS

~~(a)~~ AUTHORITY FOR MAKING.—If the Commissioner believes that the assessment or collection of a deficiency will be jeopardized by delay, he shall immediately assess such deficiency (together with all interest, additional amounts, or additions to the tax provided for by law) and notice and demand shall be made by the collector for the payment thereof.

~~(b)~~ DEFICIENCY LETTERS.—If the jeopardy assessment is made before any notice in respect of the tax to which the jeopardy assessment relates has been mailed under section 314(a), then the Commissioner shall mail a notice under such subsection within sixty days after the making of the assessment.

~~(c)~~ AMOUNT ASSESSABLE BEFORE DECISION OF BOARD.—The jeopardy assessment may be made in respect of a deficiency greater or less than that notice of which has

1    been mailed to the person against whom the deficiency is  
 2    asserted, despite the provisions of section 314(f) prohibiting  
 3    the determination of additional deficiencies, and whether or  
 4    not he has theretofore filed a petition with the Board of Tax  
 5    Appeals. The Commissioner shall notify the Board of the  
 6    amount of such assessment, if the petition is filed with the  
 7    Board before the making of the assessment or is subsequently  
 8    filed, and the Board shall have jurisdiction to redetermine  
 9    the entire amount of the deficiency and of all amounts  
 10   assessed at the same time in connection therewith.

11        ~~(d)~~ AMOUNT ASSESSABLE AFTER DECISION OF  
 12   BOARD.—If the jeopardy assessment is made after the  
 13   decision of the Board is rendered such assessment may be  
 14   made only in respect of the deficiency determined by the  
 15   Board in its decision.

16        ~~(e)~~ EXPIRATION OF RIGHT TO ASSESS.—A jeopardy  
 17   assessment may not be made after the decision of the Board  
 18   has become final or after the filing of a petition for review  
 19   of the decision of the Board.

20        ~~(f)~~ BOND TO STAY COLLECTION.—When a jeopardy  
 21   assessment has been made the person against whom the  
 22   deficiency is asserted, within ten days after notice and  
 23   demand from the collector for the payment of the amount  
 24   of the assessment, may obtain a stay of collection of the  
 25   whole or any part of the amount of the assessment by

filing with the collector a bond in such amount, not exceeding double the amount as to which the stay is desired, and with such sureties, as the collector deems necessary, conditioned upon the payment of so much of the amount, the collection of which is stayed by the bond, as is not abated by a decision of the Board which has become final, together with interest thereon as provided in section 324 or 325 (b) (1).

(g) SAME—FURTHER CONDITIONS.—If the bond is given before the person against whom the deficiency is asserted has filed his petition with the Board under section 314(a), the bond shall contain a further condition that if a petition is not filed within the period provided in such subsection, then the amount the collection of which is stayed by the bond will be paid on notice and demand at any time after the expiration of such period, together with interest thereon at the rate of 6 per centum per annum from the date of the jeopardy notice and demand to the date of notice and demand under this subsection.

(h) WAIVER OF STAY.—Upon the filing of the bond the collection of so much of the amount assessed as is covered by the bond shall be stayed. The person against whom the deficiency is asserted shall have the right to waive such stay at any time in respect of the whole or any part of the amount covered by the bond, and if as a

1 result of such waiver any part of the amount covered by  
2 the bond is paid; then the bond shall, at the request of the  
3 person against whom the deficiency is asserted, be pro-  
4 portionately reduced. If the Board determines that the  
5 amount assessed is greater than the amount which should  
6 have been assessed; then when the decision of the Board  
7 is rendered the bond shall, at the request of the person  
8 against whom the deficiency is asserted, be proportionately  
9 reduced.

10 (i) COLLECTION OF UNPAID AMOUNTS.—When the  
11 petition has been filed with the Board and when the amount  
12 which should have been assessed has been determined by a  
13 decision of the Board which has become final, then any  
14 unpaid portion, the collection of which has been stayed by  
15 the bond, shall be collected as part of the tax upon notice  
16 and demand from the collector; and any remaining portion  
17 of the assessment shall be abated. If the amount already  
18 collected exceeds the amount determined as the amount  
19 which should have been assessed, such excess shall be cred-  
20 ited or refunded as provided in section 329, without the filing  
21 of claim therefor. If the amount determined as the amount  
22 which should have been assessed is greater than the amount  
23 actually assessed, then the difference shall be assessed and  
24 shall be collected as part of the tax upon notice and demand  
25 from the collector.



1    **SEC. 316. CLAIMS IN ABATEMENT**

2            No claim in abatement shall be filed in respect of any  
3    assessment in respect of any tax imposed by this title.

4    **SEC. 317. BANKRUPTCY AND RECEIVERSHIPS**

5            (a) **IMMEDIATE ASSESSMENT.**—Upon the adjudica-  
6    tion of bankruptcy of any person against whom the defi-  
7    ciency is asserted in any bankruptcy proceeding or the  
8    appointment of a receiver for any person against whom the  
9    deficiency is asserted in any receivership proceeding before  
10   any court of the United States or of any State or Territory  
11   or of the District of Columbia, any deficiency (together  
12   with all interest, additional amounts, or additions to the  
13   tax provided for by law) determined by the Commissioner  
14   in respect of a tax imposed by this title upon such person  
15   shall, despite the restrictions imposed by section 314(a),  
16   upon assessments be immediately assessed if such deficiency  
17   has not theretofore been assessed in accordance with law.  
18   Claims for the deficiency and such interest, additional  
19   amounts and additions to the tax may be presented, for  
20   adjudication in accordance with law, to the court before  
21   which the bankruptcy or receivership proceeding is pend-  
22   ing, despite the pendency of proceedings for the redeter-  
23   mination of the deficiency in pursuance of a petition to the  
24   Board; but no petition for any such redetermination shall



1 be filed with the Board after the adjudication of bankruptcy  
2 or the appointment of the receiver.

3 ~~(b)~~ UNPAID CLAIMS.—Any portion of the claim  
4 allowed in such bankruptcy or receivership proceeding which  
5 is unpaid shall be paid by the person against whom the  
6 deficiency is asserted upon notice and demand from the  
7 collector after the termination of such proceeding, and  
8 may be collected by distraint or proceeding in court within  
9 six years after termination of such proceeding. Extensions  
10 of time for such payment may be had in the same manner  
11 and subject to the same provisions and limitations as are  
12 provided in sections 314(i), 322(b), and 325(b) ~~(3)~~ in  
13 the case of a deficiency in a tax imposed by this title.

14 **SEC. 318. PERIOD OF LIMITATION UPON ASSESSMENT**  
15 **AND COLLECTION**

16 ~~(a)~~ GENERAL RULE.—Except as provided in subsec-  
17 tion ~~(b)~~, the amount of taxes imposed by this title shall  
18 be assessed within three years after the return was filed,  
19 and no proceeding in court without assessment for the col-  
20 lection of such taxes shall be begun after the expiration of  
21 three years after the return was filed.

22 ~~(b)~~ EXCEPTIONS.—

23 ~~(1)~~ FALSE RETURN OR NO RETURN.—In the  
24 case of a false or fraudulent return with intent to evade  
25 tax or of a failure to file a return the tax may be

assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

(2) COLLECTION AFTER ASSESSMENT.—Where the assessment of any tax imposed by this title has been made within the statutory period of limitation properly applicable thereto, such tax may be collected by distraint or by a proceeding in court, but only if begun (1) within six years after the assessment of the tax, or (2) prior to the expiration of any period for collection agreed upon in writing by the Commissioner and the person against whom the assessment is made.

#### SEC. 319. SUSPENSION OF RUNNING OF STATUTE

The running of the statute of limitations provided in section 318 on the making of assessments and the beginning of distraint or a proceeding in court for collection, in respect of any deficiency, shall (after the mailing of a notice under section 314(a)) be suspended for the period during which the Commissioner is prohibited from making the assessment or beginning distraint or a proceeding in court (and in any event, if a proceeding in respect of the deficiency is placed on the docket of the Board, until the decision of the Board becomes final), and for sixty days thereafter.

1    **SEC. 320. ADDITIONS TO THE TAX IN CASE OF FAILURE**  
 2                                    **TO FILE RETURN**

3            In case of any failure to make and file a return required  
 4    by this title, within the time prescribed by law or prescribed  
 5    by the Commissioner in pursuance of law, 25 per centum  
 6    of the tax shall be added to the tax, except that when a  
 7    return is filed after such time and it is shown that the  
 8    failure to file it was due to reasonable cause and not due  
 9    to willful neglect no such addition shall be made to the tax.  
 10   The amount so added to any tax shall be collected at the  
 11   same time and in the same manner and as a part of the  
 12   tax unless the tax has been paid before the discovery of  
 13   the neglect, in which case the amount so added shall be  
 14   collected in the same manner as the tax. The amount  
 15   added to the tax under this section shall be in lieu of the  
 16   25 per centum addition to the tax provided in section 3176  
 17   of the Revised Statutes, as amended.

18   **SEC. 321. ADDITIONS TO THE TAX IN CASE OF DEFICI-**  
 19                                    **ENCY**

20        (a) **NEGLIGENCE.**—If any part of any deficiency is  
 21    due to negligence, or intentional disregard of rules and reg-  
 22    ulations but without intent to defraud, 5 per centum of the  
 23    total amount of the deficiency (in addition to such defi-  
 24    ciency) shall be assessed, collected, and paid in the same  
 25    manner as if it were a deficiency, except that the provisions

1 of section 322, relating to interest on deficiencies, shall not  
2 be applicable.

3 (b) FRAUD.—If any part of any deficiency is due to  
4 fraud with intent to evade tax, then 50 per centum of the  
5 total amount of the deficiency (in addition to such de-  
6 ficiency) shall be so assessed, collected, and paid, in lieu  
7 of the 50 per centum addition to the tax provided in section  
8 3176 of the Revised Statutes, as amended.

#### 9 SEC. 322. INTEREST ON EXTENDED PAYMENTS

10 (a) TAX SHOWN ON RETURN.—If the time for pay-  
11 ment of the amount determined as the tax by the donor is  
12 extended under the authority of section 310(d), there  
13 shall be collected as a part of such amount, interest thereon  
14 at the rate of 6 per centum per annum from the date when  
15 such payment should have been made if no extension had  
16 been granted, until the expiration of the period of the  
17 extension.

18 (b) DEFICIENCY.—In case an extension for the pay-  
19 ment of a deficiency is granted, as provided in section  
20 314(i), there shall be collected, as a part of the tax, interest  
21 on the part of the deficiency the time for payment of which  
22 is so extended, at the rate of 6 per centum per annum for  
23 the period of the extension, and no other interest shall be  
24 collected on such part of the deficiency for such period.

1    ~~SEC. 323. INTEREST ON DEFICIENCIES~~

2 Interest upon the amount determined as a deficiency  
3 shall be assessed at the same time as the deficiency; shall be  
4 paid upon notice and demand from the collector; and shall  
5 be collected as a part of the tax; at the rate of 6 per centum  
6 per annum from the due date of the tax to the date the  
7 deficiency is assessed; or, in the case of a waiver under  
8 section 314(d); to the thirtieth day after the filing of such  
9 waiver or to the date the deficiency is assessed whichever  
10 is the earlier.

11 ~~SEC. 324. INTEREST ON JEOPARDY ASSESSMENTS~~

12 In the case of the amount collected under section  
13 315(f), there shall be collected at the same time as such  
14 amount, and as a part of the tax, interest at the rate of 6  
15 per centum per annum upon such amount from the date  
16 of the jeopardy notice and demand to the date of notice  
17 and demand under section 315(i), or, in the case of the  
18 amount collected in excess of the amount of the jeopardy  
19 assessment, interest as provided in section 323.

20 SEC. 325. ADDITIONS TO THE TAX IN CASE OF NONPAY-  
21 MENT

22 ~~(a) TAX SHOWN ON RETURN.~~

(1) PAYMENT NOT EXTENDED.—Where the amount determined by the person liable for the tax as the tax imposed by this title, or any part of such



amount, is not paid on the due date of the tax, there shall be collected as a part of the tax, interest upon such unpaid amount at the rate of 1 per centum a month from the due date until it is paid.

~~(2)~~ PAYMENT EXTENDED.—Where an extension of time for payment of the amount so determined as the tax has been granted, and the amount the time for payment of which has been extended, and the interest thereon determined under section 322(a), is not paid in full prior to the expiration of the period of the extension, then, in lieu of the interest provided for in paragraph ~~(1)~~ of this subsection, interest at the rate of 1 per centum a month shall be collected on such unpaid amount from the date of the expiration of the period of the extension until it is paid.

~~(b)~~ DEFICIENCY.—

~~(1)~~ PAYMENT NOT EXTENDED.—Where a deficiency, or any interest assessed in connection therewith under section 322, or any addition to the tax provided for in section 3176 of the Revised Statutes, is not paid in full within ten days from the date of notice and demand from the collector, there shall be collected as part of the tax, interest upon the unpaid amount at the rate of 1 per centum a month from the date of such notice and demand until it is paid.

1           (2) FILING OF JEOPARDY BOND.—If a bond is  
2       filed, as provided in section 315, the provisions of  
3       paragraph (1) of this subsection shall not apply to the  
4       amount covered by the bond.

5           (3) PAYMENT EXTENDED.—If the part of the  
6       deficiency the time for payment of which is extended  
7       as provided in section 314 (i) is not paid in accordance  
8       with the terms of the extension, there shall be col-  
9       lected, as a part of the tax, interest on such unpaid  
10      amount at the rate of 1 per centum a month for the  
11      period from the time fixed by the terms of the exten-  
12      sion for its payment until it is paid, and no other in-  
13      terest shall be collected on such unpaid amount for  
14      such period.

15          (4) JEOPARDY ASSESSMENT — PAYMENT  
16      STAYED BY BOND.—If the amount included in the  
17      notice and demand from the collector under section  
18      315 (i) is not paid in full within 10 days after such  
19      notice and demand, then there shall be collected, as  
20      part of the tax, interest upon the unpaid amount at  
21      the rate of 1 per centum a month from the date of  
22      such notice and demand until it is paid. . . .

23          (5) INTEREST IN CASE OF BANKRUPTCY AND  
24      RECEIVERSHIPS.—If the unpaid portion of the claim  
25      allowed in a bankruptcy or receivership proceeding,

as provided in section 317, is not paid in full within ten days from the date of notice and demand from the collector, then there shall be collected as a part of such amount interest upon the unpaid portion thereof at the rate of 1 per centum a month from the date of such notice and demand until payment.

#### SEC. 326. PENALTIES

(a) Any person required under this title to pay any tax, or required by law or regulations made under authority thereof to make a return, keep any records, or supply any information, for the purposes of the computation, assessment, or collection of any tax imposed by this title, who willfully fails to pay such tax, make such return, keep such records, or supply such information, at the time or times required by law or regulations, shall, in addition to other penalties provided by law, be guilty of a misdemeanor and, upon conviction thereof, be fined not more than \$10,000, or imprisoned for not more than one year, or both, together with the costs of prosecution.

(b) Any person who willfully attempts in any manner to evade or defeat any tax imposed by this title or the payment thereof, shall, in addition to other penalties provided by law, be guilty of a felony and, on conviction thereof, be fined not more than \$10,000, or imprisoned for not more than five years, or both, together with the costs of prosecution.

1    SEC. 327. TRANSFERRED ASSETS

2        (a) METHOD OF COLLECTION.—The amounts of the  
 3 following liabilities shall, except as hereinafter in this sec-  
 4 tion provided, be assessed, collected, and paid in the same  
 5 manner and subject to the same provisions and limitations  
 6 as in the case of a deficiency in the tax imposed by this  
 7 title (including the provisions in case of delinquency in  
 8 payment after notice and demand, the provisions authoriz-  
 9 ing distraint and proceedings in court for collection, and the  
 10 provisions prohibiting claims and suits for refunds):

11        (1) TRANSFEREES.—The liability, at law or in  
 12 equity, of a transferee of property, in respect of  
 13 the tax (including interest, additional amounts, and  
 14 additions to the tax provided by law) imposed by  
 15 this title.

16        (2) FIDUCIARIES.—The liability of a fiduciary  
 17 under section 3467 of the Revised Statutes, as amended,  
 18 in respect of the payment of any tax imposed by this  
 19 title.

20 Any such liability may be either as to the amount of tax  
 21 shown on the return or as to any deficiency in tax.

22        (b) PERIOD OF LIMITATION.—The period of limi-  
 23 tation for assessment of any such liability of a transferee  
 24 or fiduciary shall be as follows;

(1) Within one year after the expiration of the period of limitation for assessment against the person liable for the tax.

(2) If a court proceeding against the person liable for the tax for the collection of the tax has been begun within the period provided in paragraph (1),—then within one year after return of execution in such proceeding.

(c) PERIOD FOR ASSESSMENT AGAINST PERSON LIABLE FOR TAX.—For the purposes of this section, if the person liable for the tax is deceased, the period of limitation for assessment against him shall be the period that would be in effect had the death not occurred.

(d) SUSPENSION OF RUNNING OF STATUTE OF LIMITATIONS.—The running of the statute of limitations upon the assessment of the liability of a transferee or fiduciary shall, after the mailing of the notice under section 314(a) to the transferee or fiduciary, be suspended for the period during which the Commissioner is prohibited from making the assessment in respect of the liability of the transferee or fiduciary (and in any event, if a proceeding in respect of the liability is placed on the docket of the Board, until the decision of the Board becomes final), and for sixty days thereafter.

(e) PROHIBITION OF SUITS TO RESTRAIN ENFORCEMENT OF LIABILITY OF TRANSFEREE OR FIDUCIARY.—



1 No suit shall be maintained in any court for the purpose of  
 2 restraining the assessment or collection of ~~(1)~~ the amount  
 3 of the liability, at law or in equity, of a transferee of prop-  
 4 erty of a donor in respect of any tax under this title, or ~~(2)~~  
 5 the amount of the liability of a fiduciary under section 3467  
 6 of the Revised Statutes, as amended, in respect of any such  
 7 tax.

8 ~~(f)~~ DEFINITION OF "TRANSFEREE".—As used in  
 9 this section, the term "transferee" includes donee, heir,  
 10 legatee, devisee, and distributee.

11 ~~(g)~~ ADDRESS FOR NOTICE OF LIABILITY.—In the  
 12 absence of notice to the Commissioner under section 328 (b)  
 13 of the existence of a fiduciary relationship, notice of liability  
 14 enforceable under this section in respect of a tax imposed by  
 15 this title, if mailed to the person subject to the liability at  
 16 his last known address, shall be sufficient for the purposes of  
 17 this title even if such person is deceased, or is under a legal  
 18 disability, or, in the case of a corporation, has terminated  
 19 its existence.

## 20 SEC. 328. NOTICE OF FIDUCIARY RELATIONSHIP

21 ~~(a)~~ FIDUCIARY OF PERSON LIABLE FOR TAX.—  
 22 Upon notice to the Commissioner that any person is acting  
 23 in a fiduciary capacity such fiduciary shall assume the  
 24 powers, rights, duties, and privileges of the person liable  
 25 for the tax in respect of a tax imposed by this title (except

1 as otherwise specifically provided and except that the tax  
 2 shall be collected from the estate of the person liable for the  
 3 tax); until notice is given that the fiduciary capacity has  
 4 terminated.

5 ~~(b)~~ FIDUCIARY OF TRANSFEREE.—Upon notice to  
 6 the Commissioner that any person is acting in a fiduciary  
 7 capacity for a person subject to the liability specified in sec-  
 8 tion 327, the fiduciary shall assume, on behalf of such person,  
 9 the powers, rights, duties, and privileges of such person  
 10 under such section (except that the liability shall be collected  
 11 from the estate of such person); until notice is given that the  
 12 fiduciary capacity has terminated.

13 ~~(c)~~ MANNER OF NOTICE.—Notice under subsection  
 14 ~~(a)~~ or ~~(b)~~ shall be given in accordance with regulations  
 15 prescribed by the Commissioner with the approval of the  
 16 Secretary.

## 17 SEC. 329. REFUNDS AND CREDITS

18 ~~(a)~~ AUTHORIZATION.—Where there has been an over-  
 19 payment of any tax imposed by this title, the amount of  
 20 such overpayment shall be credited against any tax imposed  
 21 by this title then due from the taxpayer, and any balance  
 22 shall be refunded immediately to the taxpayer.

23 ~~(b)~~ LIMITATION ON ALLOWANCE.—

24 ~~(1)~~ PERIOD OF LIMITATION.—No such credit  
 25 or refund shall be allowed or made after three years

1 from the time the tax was paid, unless before the  
 2 expiration of such period a claim therefor is filed by  
 3 the taxpayer.

4 ~~(2)~~ LIMIT ON AMOUNT OF CREDIT OR REFUND.—

5 The amount of the credit or refund shall not exceed the  
 6 portion of the tax paid during the three years imme-  
 7 diately preceding the filing of the claim, or if no claim  
 8 was filed preceding the filing of the claim, or if no claim  
 9 was filed, then during the three years immediately  
 10 preceding the allowance of the credit or refund.

11 ~~(c)~~ EFFECT OF PETITION TO BOARD.—If the Com-  
 12 missioner has mailed to the taxpayer a notice of deficiency  
 13 under section 314(a) and if the taxpayer files a petition  
 14 with the Board of Tax Appeals within the time prescribed  
 15 in such subsection, no credit or refund in respect of the  
 16 tax for the calendar year in respect of which the Commis-  
 17 sioner has determined the deficiency shall be allowed or  
 18 made and no suit by the taxpayer for the recovery of any  
 19 part of such tax shall be instituted in any court except—

20 ~~(1)~~ As to overpayments determined by a deci-  
 21 sion of the Board which has become final; and

22 ~~(2)~~ As to any amount collected in excess of an  
 23 amount computed in accordance with the decision of  
 24 the Board which has become final; and

~~(3)~~ As to any amount collected after the period of limitation upon the beginning of distraint or a proceeding in court for collection has expired; but in any such claim for credit or refund or in any such suit for refund the decision of the Board which has become final, as to whether such period has expired before the notice of deficiency was mailed, shall be conclusive.

~~(d)~~ OVERPAYMENT FOUND BY BOARD.—If the Board finds that there is no deficiency and further finds that the taxpayer has made an overpayment of tax in respect of the taxable year in respect of which the Commissioner determined the deficiency, the Board shall have jurisdiction to determine the amount of such overpayment, and such amount shall, when the decision of the Board has become final, be credited or refunded to the taxpayer. No such credit or refund shall be made of any portion of the tax unless the Board determines as part of its decision that it was paid within three years before the filing of the claim or the filing of the petition, whichever is earlier.

#### **SEC. 330. LAWS MADE APPLICABLE**

All administrative, special, or stamp provisions of law, including the law relating to the assessment of taxes, so far as applicable, are hereby extended to and made a part of this title.



1    **SEC. 331. RULES AND REGULATIONS**

2            The Commissioner, with the approval of the Secretary,  
3    shall prescribe and publish all needful rules and regulations  
4    for the enforcement of this title.

5    **SEC. 332. DEFINITIONS**

6            For the purposes of this title—

7            ~~(a)~~ **CALENDAR YEAR.**—The term “calendar year”  
8    includes only the calendar year 1935 and succeeding calendar  
9    years; and, in the case of the calendar year 1935, includes  
10   only the portion of such year after the date of the enactment  
11   of this Act.

12           ~~(b)~~ **PROPERTY.**—The term “property” means any  
13   property, real or personal, tangible or intangible, or any  
14   interest therein or income therefrom. Any right in respect  
15   of any property which, however exercisable, is exercisable  
16   by the holder of the right (either alone or in conjunction  
17   with any other person) in favor of such holder, in favor of  
18   his estate, or in favor of one or more of his creditors shall,  
19   for the purposes of this title, be deemed the equivalent of  
20   such property; and the exercise of such right in favor of  
21   any person shall be considered as a transfer by such holder  
22   to such person of the property.

23           ~~(c)~~ **PROPERTY WITHIN UNITED STATES.**—Stock in  
24   a domestic corporation or any obligation of a resident,  
25   corporate or otherwise, owned by a nonresident donor shall



1 be deemed property situated within the United States.

2 ~~“(d)~~ COLLECTOR.—The term “collector” means  
3 collector of internal revenue.

4 TITLE III—AMENDMENTS TO GIFT TAX

5 SEC. 301. GIFT TAX RATES

6 (a) The gift-tax schedule set forth in section 502 of  
7 the Revenue Act of 1932, as amended, is amended to read  
8 as follows:

9 “Upon net gifts not in excess of \$10,000,  $1\frac{1}{2}$  per  
10 centum.

11 “\$150 upon net gifts of \$10,000; and upon net gifts in  
12 excess of \$10,000 and not in excess of \$20,000, 3 per centum  
13 in addition of such excess.

14 “\$450 upon net gifts of \$20,000; and upon net gifts in  
15 excess of \$20,000 and not in excess of \$30,000,  $4\frac{1}{2}$  per  
16 centum in addition of such excess.

17 “\$900 upon net gifts of \$30,000; and upon net gifts in  
18 excess of \$30,000 and not in excess of \$40,000, 6 per  
19 centum in addition of such excess.

20 “\$1,500 upon net gifts of \$40,000; and upon net gifts  
21 in excess of \$40,000 and not in excess of \$50,000,  $7\frac{1}{2}$  per  
22 centum in addition of such excess.

23 “\$2,250 upon net gifts of \$50,000; and upon net gifts  
24 in excess of \$50,000 and not in excess of \$70,000, 9 per  
25 centum in addition of such excess.

1       “\$4,050 upon net gifts of \$70,000; and upon net gifts  
2 in excess of \$70,000 and not in excess of \$100,000,  $10\frac{1}{2}$   
3 per centum in addition of such excess.

4       “\$7,200 upon net gifts of \$100,000; and upon net gifts  
5 in excess of \$100,000 and not in excess of \$200,000,  $12\frac{3}{4}$   
6 per centum in addition of such excess.

7       “\$19,950 upon net gifts of \$200,000; and upon net  
8 gifts in excess of \$200,000 and not in excess of \$400,000,  
9 15 per centum in addition of such excess.

10       “\$49,950 upon net gifts of \$400,000; and upon net  
11 gifts in excess of \$400,000 and not in excess of \$600,000,  
12  $17\frac{1}{4}$  per centum in addition of such excess.

13       “\$84,450 upon net gifts of \$600,000; and upon net  
14 gifts in excess of \$600,000 and not in excess of \$800,000,  
15  $19\frac{1}{2}$  per centum in addition of such excess.

16       “\$123,450 upon net gifts of \$800,000; and upon net  
17 gifts in excess of \$800,000 and not in excess of \$1,000,000,  
18  $21\frac{3}{4}$  per centum in addition of such excess.

19       “\$166,950 upon net gifts of \$1,000,000; and upon net  
20 gifts in excess of \$1,000,000 and not in excess of \$1,500,000,  
21 24 per centum in addition of such excess.

22       “\$286,950 upon net gifts of \$1,500,000; and upon net  
23 gifts in excess of \$1,500,000 and not in excess of \$2,000,000,  
24  $26\frac{1}{4}$  per centum in addition of such excess.

1       “\$418,200 upon net gifts of \$2,000,000; and upon net  
2   gifts in excess of \$2,000,000 and not in excess of \$2,500,000,  
3   28 $\frac{1}{2}$  per centum in addition of such excess.

4       “\$560,700 upon net gifts of \$2,500,000; and upon  
5   net gifts in excess of \$2,500,000 and not in excess of  
6   \$3,000,000, 30 $\frac{3}{4}$  per centum in addition of such excess.

7       “\$714,450 upon net gifts of \$3,000,000; and upon  
8   net gifts in excess of \$3,000,000 and not in excess of  
9   \$3,500,000, 33 per centum in addition of such excess.

10      “\$879,450 upon net gifts of \$3,500,000; and upon  
11   net gifts in excess of \$3,500,000 and not in excess of  
12   \$4,000,000, 35 $\frac{1}{4}$  per centum in addition of such excess.

13      “\$1,055,700 upon net gifts of \$4,000,000; and upon  
14   net gifts in excess of \$4,000,000 and not in excess of  
15   \$4,500,000, 37 $\frac{1}{2}$  per centum in addition of such excess.

16      “\$1,243,200 upon net gifts of \$4,500,000; and upon  
17   net gifts in excess of \$4,500,000 and not in excess of  
18   \$5,000,000, 39 $\frac{3}{4}$  per centum in addition of such excess.

19      “\$1,441,950 upon net gifts of \$5,000,000; and upon  
20   net gifts in excess of \$5,000,000 and not in excess of  
21   \$6,000,000, 42 per centum in addition of such excess.

22      “\$1,861,950 upon net gifts of \$6,000,000; and upon net  
23   gifts in excess of \$6,000,000 and not in excess of \$7,000,000,  
24   44 $\frac{1}{4}$  per centum in addition of such excess.

1       “\$2,304,450 upon net gifts of \$7,000,000; and upon  
2 net gifts in excess of \$7,000,000 and not in excess of  
3 \$8,000,000,  $45\frac{3}{4}$  per centum in addition of such excess.

4       “\$2,761,950 upon net gifts of \$8,000,000; and upon  
5 net gifts in excess of \$8,000,000 and not in excess of  
6 \$9,000,000,  $47\frac{1}{4}$  per centum in addition of such excess.

7       “\$3,234,450 upon net gifts of \$9,000,000; and upon  
8 net gifts in excess of \$9,000,000 and not in excess of  
9 \$10,000,000,  $48\frac{3}{4}$  per centum in addition of such excess.

10       “\$3,721,950 upon net gifts of \$10,000,000; and  
11 upon net gifts in excess of \$10,000,000 and not in excess of  
12 \$20,000,000,  $50\frac{1}{4}$  per centum in addition of such excess.

13       “\$8,746,950 upon net gifts of \$20,000,000; and  
14 upon net gifts in excess of \$20,000,000 and not in excess of  
15 \$50,000,000,  $51\frac{3}{4}$  per centum in addition of such excess.

16       “\$24,271,950 upon net gifts of \$50,000,000; and  
17 upon net gifts in excess of \$50,000,000,  $52\frac{1}{2}$  per centum in  
18 addition of such excess.”

19       (b) The amendment made by subsection (a) of this  
20 section shall be applied in computing the tax for the calendar  
21 year 1936 and each calendar year thereafter (but not the  
22 tax for the calendar year 1935 or a previous calendar year),  
23 and such amendment shall be applied in all computations  
24 in respect of the calendar year 1935 and previous calendar  
25 years for the purpose of computing the tax for the calendar  
26 year 1936 or any calendar year thereafter.

# **TITLE IV—MISCELLANEOUS PROVISIONS**

## **SEC. 401. AMENDMENTS TO TITLE IV OF REVENUE ACT OF 1932**

(a) *Section 620 (3) of the Revenue Act of 1932, as amended, is amended to read as follows:*

*“(3) for the exclusive use of the United States, any State, Territory of the United States, or any political subdivision of the foregoing, or the District of Columbia.”*

(b) *Section 621(a) (3) of the Revenue Act of 1932, as amended, is amended to read as follows:*

*“(3) to a manufacturer, producer, or importer, in the amount of tax paid by him under this title with respect to the sale of any article to any vendee, if the manufacturer, producer, or importer has in his possession such evidence as the regulations may prescribe that after the date this amendment takes effect—*

*“(A) such article was, by any person—*

*“(i) resold for the exclusive use of the United States, any State, Territory of the United States, or any political subdivision of the foregoing, or the District of Columbia;*

*“(ii) used or resold for use as fuel supplies, ship’s stores, sea stores, or legitimate equipment on vessels of war of the United States or of any foreign nation, vessels employed in the fisheries*



or in the whaling business, or actually engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions;

“(iii) in the case of products embraced in paragraph (2) of section 617(c), as amended, used or resold for use otherwise than as fuel for the propulsion of motor vehicles, motor boats, or airplanes, and otherwise than in the production of such fuel: Provided, however, That no credit or refund shall be allowed or made under this paragraph in the case of sales or uses of products commonly or commercially known or sold as gasoline, including casinghead and natural gasoline.

“(iv) in the case of lubricating oils, used or resold for nonlubricating purposes.

“(B) The manufacturer, producer, or importer has repaid or agreed to repay the amount of such tax to the ultimate vendor or has obtained the consent of the ultimate vendor to the allowance of the credit or refund.”

(c) Section 621(c) of the Revenue Act of 1932, as amended, is amended to read as follows:

“(c) Interest shall be allowed at the rate of 6 per centum per annum with respect to any amount of tax under this title credited or refunded, except that no interest shall

1 *be allowed with respect to any amount of tax credited or*  
 2 *refunded under the provisions of subsection (a) hereof, and*  
 3 *except that no interest shall be allowed for any period prior*  
 4 *to the first day of the second month following the date of the*  
 5 *enactment of the Revenue Act of 1935."*

6 *(d) The amendments made by this section shall become*  
 7 *effective on the 1st day of the second month following the*  
 8 *date of the enactment of this Act.*

9 SEC. 402. COMPENSATORY TAX ON PRODUCTS OF CERTAIN  
 10 OILS

11 *During any period after the fifteenth day after the*  
 12 *date of the enactment of this Act when—*

13 *(1) a processing tax is in effect under section 602½*  
 14 *of the Revenue Act of 1934, or*

15 *(2) an import tax is in effect under section*  
 16 *601(c) (8) of the Revenue Act of 1932, as amended,*  
 17 *there is hereby imposed upon any article (not within the scope*  
 18 *of either such tax) manufactured or produced wholly or in*  
 19 *chief value from any one or more of the oils subject to either*  
 20 *such tax, when such article is imported into the United States*  
 21 *from any foreign country or from any possession of the*  
 22 *United States or from the high seas, a compensatory tax*  
 23 *equivalent to the tax which would be payable under such*  
 24 *section 602½ or 601(c) (8) upon such oil or oils if imported*  
 25 *into the United States or if processed in the United States.*

1 *The tax imposed by this section shall be levied, collected, and*  
2 *paid in the same manner as a duty imposed by the Tariff*  
3 *Act of 1930, and shall be treated, for the purposes of all*  
4 *provisions of law (except section 336 of such Act) not incon-*  
5 *sistent with this section, as a duty imposed by such Act. All*  
6 *taxes collected under this section on account of coconut oil*  
7 *produced from materials wholly of Philippine growth or pro-*  
8 *duction, shall be held as a separate fund and paid to the*  
9 *Treasury of the Philippine Islands, but if at any time the*  
10 *Philippine Government provides by any law for any subsidy*  
11 *to be paid to the producers of copra, coconut oil, or allied*  
12 *products, no further payments to the Philippine Treasury*  
13 *shall be made under this section.*

14 **SEC. 403. SPECIAL EXCISE TAX ON CARRYING ON LIQUOR**  
15 **BUSINESS**

16 *The special excise tax imposed by section 701 of the*  
17 *Revenue Act of 1926 (U. S. C., title 26, sec. 206) shall*  
18 *not apply with respect to carrying on business after June*  
19 *30, 1935.*

20 **SEC. 404. INTEREST ON DELINQUENT TAXES**

21 *Notwithstanding any provision of law to the contrary,*  
22 *interest accruing during any period of time after the date*  
23 *of the enactment of this Act upon any internal-revenue tax*  
24 *(including amounts assessed or collected as a part thereof)*  
25 *or customs duty, not paid when due, shall be at the rate of*  
26 *6 per centum per annum.*

1    **SEC. 405. DECLARATORY JUDGMENTS AS TO TAXES**

2            (a) Paragraph (1) of section 274D of the Judicial  
3    Code (Public, Numbered 343, Seventy-third Congress) is  
4    amended by adding after the words "actual controversy"  
5    the following: "(except with respect to Federal taxes)".

6            (b) The amendment made by subsection (a) of this  
7    section shall apply to any proceeding now pending in any  
8    court of the United States.

9    **SEC. 406. FAILURE TO FILE RETURNS**

10           In the case of a failure to make and file an internal-  
11    revenue tax return required by law, within the time pre-  
12    scribed by law or prescribed by the Commissioner in pursu-  
13    ance of law, if the last date so prescribed for filing the return  
14    is after the date of the enactment of this Act, if a 25 per  
15    centum addition to the tax is prescribed by existing law,  
16    then there shall be added to the tax, in lieu of such 25 per  
17    centum: 5 per centum if the failure is for not more than 30  
18    days, with an additional 5 per centum for each additional  
19    30 days or fraction thereof during which failure continues,  
20    not to exceed 25 per centum in the aggregate.

21           **TITLE IV V—GENERAL PROVISIONS**

22    **SEC. ~~401~~ 501. DEFINITIONS**

23           (a) When used in this Act—

24                (1) The term "person" means an individual, a  
25                trust or estate, a partnership, or a corporation.

1           (2) The term "corporation" includes associa-  
2           tions, joint-stock companies, and insurance companies.

3           (3) The term "domestic" when applied to a  
4           corporation or partnership means created or organized  
5           in the United States or under the law of the United  
6           States or of any State or Territory.

7           (4) The term "foreign" when applied to a cor-  
8           poration or partnership means a corporation or partner-  
9           ship which is not domestic.

10          (5) The term "stock" includes the share in an  
11          association, joint-stock company, or insurance company.

12          (6) The term "shareholder" includes a member  
13          in an association, joint-stock company, or insurance  
14          company.

15          (7) The term "United States" when used in a  
16          geographical sense includes only the States, the Terri-  
17          tories of Alaska and Hawaii, and the District of  
18          Columbia.

19          (8) The term "Secretary" means the Secretary  
20          of the Treasury.

21          (9) The term "Commissioner" means the Com-  
22          missioner of Internal Revenue.

23          (10) *The term "collector" means collector of*  
24          *internal revenue.*



1           (b) The terms “includes” and “including” when  
2 used in a definition contained in this Act shall not be deemed  
3 to exclude other things otherwise within the meaning of  
4 the term defined.

5 **SEC. 402 502. SEPARABILITY CLAUSE**

6           If any provision of this Act, or the application thereof  
7 to any person or circumstances, is held invalid, the remain-  
8 der of the Act, and the application of such provisions to  
9 other persons or circumstances, shall not be affected thereby.

10 **SEC. 403 503. EFFECTIVE DATE OF ACT**

11           Except as otherwise provided, this Act shall take  
12 effect upon its enactment.

Passed the House of Representatives August 5, 1935.

SOUTH TRIMBLE,

*Clerk.*

By H. NEWLIN MEGILL.





74<sup>TH</sup> CONGRESS }  
1<sup>ST</sup> SESSION

H. R. 8974

[Report No. 1240]

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## AN ACT

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To provide revenue, equalize taxation, and for  
other purposes.

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JULY 29 (calendar day, AUGUST 5), 1935

Read twice and referred to the Committee on Finance

JULY 29 (calendar day, AUGUST 12), 1935

Reported with amendments



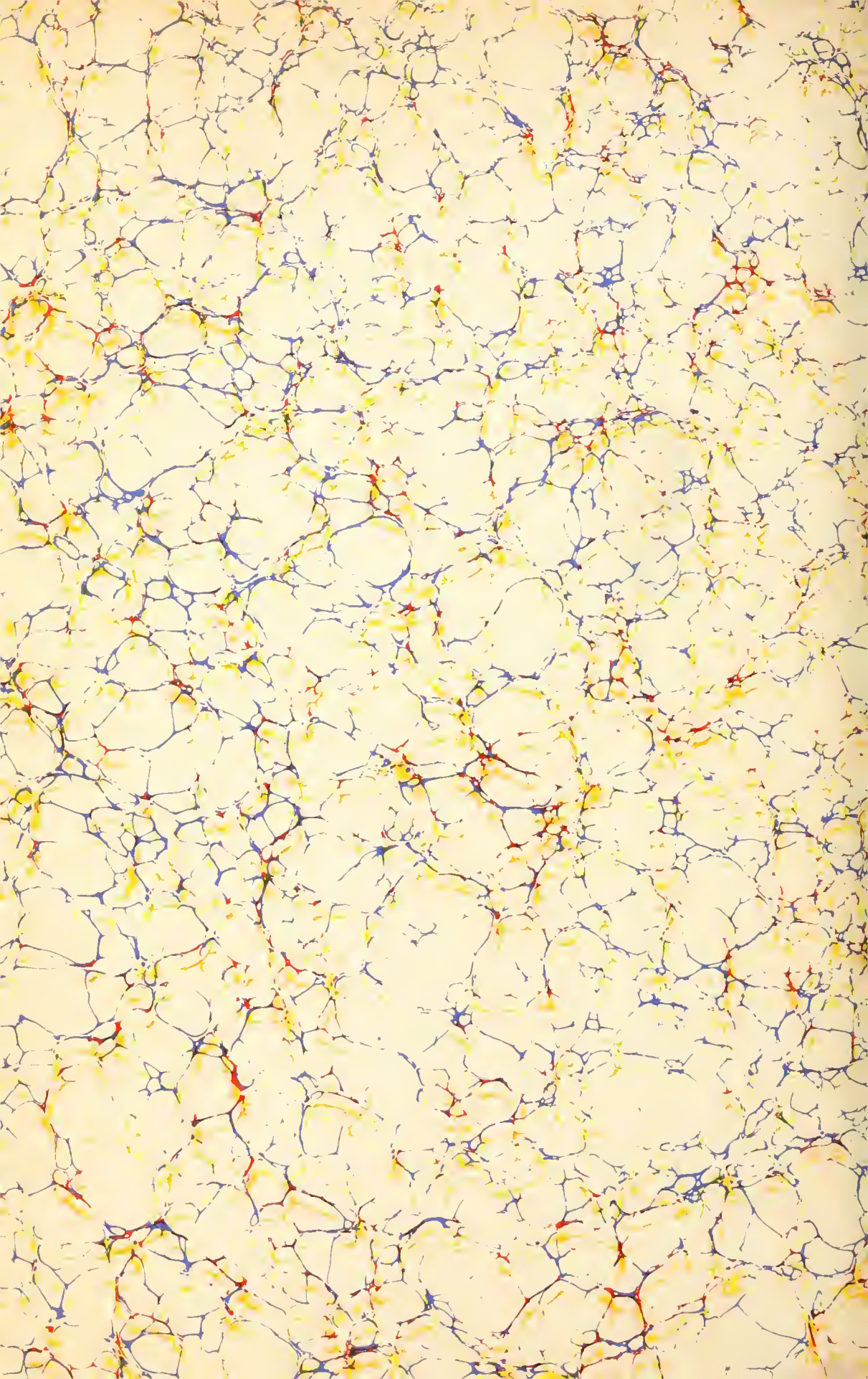














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P.L.73-704

(H.R.8974)

Pt.2

Revenue Act Of 1935

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P.L.73-704

(H.R.8974)

Pt.2

AUTHOR

Revenue Act Of 1935

TITLE

| DATE<br>LOANED | BORROWER'S NAME | PHONE<br>NUMBER |
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